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environmental leadership

MINISTRY OF ENVIRONMENT 2004-05 ANNUAL REPORT

Alberta

we are

leading the way
working together
making a difference

preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 29, 2005 contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

This annual report of the Ministry of Environment contains the Minister's accountability statement, the audited financial statements of the Ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This Ministry annual report also includes:

- the financial statements of entities making up the Ministry, including the Department of Environment, for which the Minister is responsible;
- other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as part of the financial statements, to the extent that the Ministry has anything to report, and
- financial information relating to trust funds.

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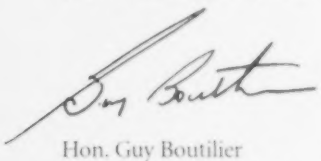
minister's accountability statement

The Ministry's Annual Report for the year ended March 31, 2005, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at August 31, 2005 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.



Hon. Guy Boutilier
Minister of Environment

message from the minister

Alberta's environment is given to us in trust. Each choice we make concerning our air, land, and water should take the potential impacts on future generations into consideration.

In 2004-05, Alberta Environment continued to lead the way in protecting the province's valued air, land, and water. Together with its partners, the Ministry worked to ensure the sustainability of Alberta's diverse environment, while maintaining strong communities and a prosperous economy.

In the last fiscal year, our work to ensure the protection of the environment included implementing *Water for Life*, taking action on climate change, and launching a municipal waste action plan. Through our initiatives, we emphasized shared responsibility and partnerships.

Water for Life empowers communities to set priorities and implement actions locally and regionally to protect and conserve the water supply. In May of 2004, the Alberta Water Council was established to provide guidance on the strategy's implementation. Multi-stakeholder Watershed Planning and Advisory Councils were also established in 2004 to provide leadership in watershed management and planning at the local level.

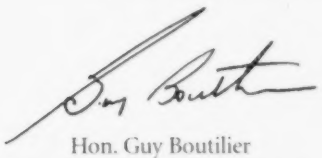
In 2004-05, we continued to implement the province's climate change action plan, *Albertans & Climate Change: Taking Action*. The Ministry led a Cross-ministry and stakeholder initiative to introduce Canada's first greenhouse gas (GHG) reporting program for large final emitters under the *Specified Gas Reporting Regulation* program. Now, Alberta companies and industrial plants that emit 100,000 tonnes or more of carbon dioxide equivalent are required to report these emissions.

We released Alberta's *Municipal Waste Action Plan* for reducing municipal waste going to landfills. Alberta Environment also created the Alberta Recycling Management Authority (ARMA) to manage multi-material stewardship programs. ARMA implemented a regulated electronics waste recycling program, the first of its kind in Canada. Since its inception, over 100 collection sites and electronic-roundups have been established throughout the province to collect televisions, computers, and related electronics that have reached the end of their useful life.

In 2004-05, we also participated in the planning, development, and coordination of Cross-ministry policies and actions.

These are just a sample of the many initiatives Alberta Environment developed and implemented to ensure Albertans enjoy a clean, healthy environment.

I applaud everyone who helped make the 2004-05 fiscal year a success for Alberta Environment. Together with our partners, we continue to lead the way in ensuring Alberta's valued air, land, and water are sustained for future generations.



Hon. Guy Boutilier
Minister of Environment

management's responsibility for reporting

The Ministry of Environment includes the Department of Environment and the Environmental Appeals Board.

The executives of the individual entities within the Ministry have primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the financial statement and performance results for the Ministry rests with the Minister of Environment. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including financial statements and performance results. The financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control, which give consideration to costs, benefits, and risks that are designed to:

- Provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- Provide information to manage and report on performance,
- Safeguard the assets and properties of the Province under Ministry administration,
- Provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Environment any information needed to fulfill their responsibilities, and
- Facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

C. Peter Watson, P.Eng
Deputy Minister of Environment
August 31, 2005

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overview

highlights

Alberta Environment continued to be a leader in proactive environmental stewardship in 2004-05. Key initiatives such as Sustainable Resource and Environmental Management, the *Water for Life: Alberta's Strategy for Sustainability* and the *Albertans & Climate Change: Taking Action* plan are setting the standard in Canada.

WATER

Alberta Environment continued to implement the *Water for Life: Alberta's Strategy for Sustainability* in 2004-05. *Water for Life* emphasizes shared responsibility through partnerships within government and with stakeholders and citizens. The strategy includes a place-based approach to watershed management and planning that empowers communities to set priorities and implement actions locally and regionally.

In May 2004, the Alberta Water Council was established to provide guidance on the strategy's implementation. The Council includes representation from environmental groups, Aboriginal communities, urban and rural municipalities, the provincial and federal governments, and industry.

Multi-stakeholder Watershed Planning and Advisory Councils were established in 2004 to provide leadership in watershed management and planning. Shared watershed planning is important to achieving Alberta's 30 per cent water conservation target by 2015. A copy of *Water for Life: Alberta's Strategy for Sustainability* can be found at www.waterforlife.gov.ab.ca.

SUSTAINABLE RESOURCE AND ENVIRONMENTAL MANAGEMENT (SREM)

In Alberta, we are facing increasingly complex environmental challenges, compounded by strong growth in our economy and population. The human "footprint" and the cumulative impact on our water, air and land are becoming more evident. Issues cut across ministries, sectors and jurisdictions. Cooperative action at all levels is essential.

In August 2004, Cabinet approved a plan for phased implementation of a strategic government-wide systems approach to managing our resources and environment. The approach advances government-wide action on outcomes based management systems, integrated policy and information systems, and streamlined regulatory processes.

Sustainable resource and environmental management provides the basis of *Water for Life: Alberta's Strategy for Sustainability* and *Albertans & Climate Change: Taking Action*. Progress on these initiatives has already been highlighted.

Nationally, Alberta is working with the Canadian Council of Ministers of the Environment to develop a Canadian environmental sustainability framework that reflects Alberta's interests and approach to managing the environment.

INFORMATION AND KNOWLEDGE

To provide the public with timely information on the quality and condition of the environment, Alberta Environment developed a State of the Environment (SoE) website at www.gov.ab.ca/env/soe, tracking 44 environmental indicators of air quality, climate change, water quality and use, land quality and use, biodiversity and waste management. This website was developed by department staff with cooperation from staff from Agriculture, Food & Rural Development, Community Development, Energy, Health & Wellness, Infrastructure & Transportation, Municipal Affairs and Sustainable Resource Development.

CLIMATE CHANGE

Alberta Environment continued implementation of the province's climate change action plan, *Albertans & Climate Change: Taking Action*. The Ministry led a cross-Ministry and stakeholder initiative, to introduce Canada's first greenhouse gas (GHG) reporting program for large final emitters (*Specified Gas Reporting Regulation*).

Alberta companies and industrial plants that emit 100,000 tonnes or more of carbon dioxide equivalent (based on the sum of direct emissions of carbon dioxide, methane, nitrous oxide, HFCs, PFCs, and sulphur hexaflouride) are required to report these emissions. The deadline for reporting the specified gas emissions for the reporting year 2004 was June 1, 2005. Reportable emissions will include (but not be limited to) combustion, manufacturing process, storage and fugitive sources.

STAFF CAPABILITY

Alberta Environment developed and implemented a People Plan for the department, focusing on Leading, Learning and Workplace Health. The People Plan demonstrates Alberta Environment's commitment to the ongoing professional and personal development of its staff.

AWARDS

In 2004-05, the Ministry of Environment received two Premier's Awards of Excellence (PAE) for work done in partnership with other organizations. The awards include:

- **Athabasca Oil Sands Review Team (Silver PAE)**
  The Athabasca Oil Sands Review Team conducted a timely and thorough review of the Canadian Natural Resources Limited (CNRL) and Shell Jackpine major project applications. The team provided important evidence at two public hearings that were held within a close time frame, and effectively consulted with aboriginal groups in the area.

  Unique Circumstances

  1. Aboriginal Consultation – Alberta Environment led an enhanced consultation program for the approvals process to address Aboriginal concerns within the constraints of the regulatory process. This successful approach recognized the unique needs of First Nations in the regulatory process. Results of this consultation program were the secondment of a department staff member to the Mikisew Cree First Nation for a one and a half year period to assist them in future regulatory review processes, and continued Aboriginal consultation initiatives.
  2. Joint Provincial-Federal Review Panel – This was the first time a joint review panel was held for an oil sands project. The two Alberta Energy Utility Board-Canadian Environmental Assessment Agency (EUB-CEAA) joint review hearings, each lasting about two weeks, were held within one month of each other.

- **Implementation of the Environment Infrastructure Management System (Bronze PAE)**
  Water Management Operations (WMO) of Alberta Environment is responsible for water infrastructure worth over $5 billion. Water infrastructure is the collection of assets used for water-related purposes including conveyance, control, supply, and flood damage mitigation (e.g., dams and canals).

  To support this responsibility, WMO conducted the *Environment Infrastructure Management System (EIMS) Project* to implement a computer system to plan, define, track and record construction, inspection, maintenance and rehabilitation work on water infrastructure. The system supports four core business functions: asset inventory, inspection tracking, maintenance tracking, and capital projects. The *EIMS Implementation Project* was conducted from February 2003 to June 2004 and consisted of three phases: Business Area Analysis, Request for Proposals, and Implementation.

PERFORMANCE MEASURES

The percentage of the province's **Water Management Infrastructure** in fair, good or excellent physical condition increased from 96 per cent in 1999 to 99.5 per cent in 2004.

The **Drinking Water Safety Indicator** measures the ability of regulated waterworks facilities to meet newest design standards, operational requirements and water quality based on the health-related concentration limits for substances listed in the *Guidelines for Canadian Drinking Water Quality*. Results for 2004-05 indicated:

- 75 per cent of regulated waterworks facilities had treatment technology in place that met the newest facility design standards.
- 69 water quality incidents occurred at 49 facilities. All incidents were responded to and managed appropriately.

The **River Water Quality Index** showed no trends towards degradation in river water quality. In 2003-04, five river systems had "good" or "excellent" water quality. The exception was the North Saskatchewan River, which was rated as "fair" at the Pakan site, primarily due to increased bacterial counts and pesticide detections. The four groups of variables used to evaluate river water quality include: metals, bacteria, nutrients and pesticides.

The **Air Quality Index** result for 2004 was "good" air quality occurring 98 per cent of the time, slightly higher than the 97 per cent target. Alberta had 357 "good" days, seven more than in 2003, and 9 "fair" days, five less than 2003. Air quality is influenced by a number of factors including: forest fires, weather patterns, vehicle emissions, and the intensity of industrial development.

Alberta's **Greenhouse Gas Emissions Intensity** remained steady in 2003 maintaining 85 per cent of 1990 levels as a result of strong economic growth, coupled with a modest increase in associated emissions, and revisions to Environment Canada's GHG emissions data, which lowered the initial 1990 baseline.

Municipal Solid Waste to Landfills increased by 4 kilograms per capita over 2003-04. This modest increase can be attributed to Alberta's robust economy and includes waste from industrial, commercial, institutional and construction, renovation and demolition sectors. In 2004, the government released Alberta's municipal waste action plan for reducing solid waste going to landfills and implemented a regulated electronics waste recycling program, the first of its kind in Canada, to improve recycling efficiencies.

In 2004-05 baseline data was collected for **Stakeholder Satisfaction with Ministry Programs**. Of the respondents, 55.4 per cent responded that they were either "satisfied" or "very satisfied" with the programs and services accessed from Alberta Environment. The survey also included questions on the ministry's performance regarding the Government of Alberta's criteria for service excellence (courtesy, going the extra mile, knowledge, timeliness and accessibility), and stakeholder opinions on the environment. Eighty-seven percent either "agreed" or "strongly agreed" that ministry staff were courteous, 67 per cent either "agreed" or "strongly agreed" that staff were knowledgeable about the ministry's programs and services, and 54 per cent either "agreed" or "strongly agreed" that the waiting time dealing with the person who serviced them was reasonable.

FINANCIAL INFORMATION

Ministry expenses in 2004-05 were $132.4 million, $7.6 million higher than the budget of $124.8 million. This is largely due to supplementary funding for continuing obligations under two grant programs, Alberta Waste Management Assistance Program and Alberta Water Management and Erosion Control Program. Revenue was $8.2 million, which was approximately the amount budgeted.

an operational overview

The Ministry of Environment consists of the Department of Environment (Alberta Environment) and the Environmental Appeals Board. The Ministry's mandate comes from the *Environmental Protection and Enhancement Act* and the *Water Act*.

ORGANIZATIONAL CHART

ENVIRONMENTAL APPEALS BOARD

William A. Tilleman, Chair
Phone: (780) 427-6207

The Environmental Appeals Board (EAB) operates at arm's length from Alberta Environment, and reports directly to the Minister of Environment.

The EAB, consistent with the *Environmental Protection and Enhancement Act* and the *Water Act*, provides fair, impartial and efficient resolution of all matters before it. The Board's goal is to advance the protection, enhancement and wise use of Alberta's environment.

The EAB was established on September 1, 1993 under Alberta's *Environmental Protection and Enhancement Act*. The EAB hears appeals under the *Environmental Protection and Enhancement Act*, the *Water Act* and Schedule 5 of the *Government Organization Act*.

The EAB has the power to make recommendations to the Minister of Environment with the Minister making the final decision. On matters relating to requests for confidentiality, stays, costs, administrative penalties, and certain matters relating to waterworks, the EAB makes the final decision. The EAB does not replace or eliminate the right of Albertans to seek judicial review in the courts.

Vision

Promote a high quality of life in Alberta through the timely and thorough review of environmental decisions.

Mission

The Environmental Appeals Board will advance the protection, enhancement and wise use of Alberta's environment by providing fair, impartial and efficient resolution of all matters before it.

EAB issues its own annual report at www.gov.ab.ca/eab/publications.htm

ALBERTA ENVIRONMENT

Peter Watson, Deputy Minister
Phone: (780) 427-6236

Alberta Environment oversees policies and initiatives associated with air quality, water management, waste management, land use and climate change. The department manages the provincial environmental review process and coordinates public education on conservation and environmental protection. Alberta Environment is also responsible for environmental monitoring and compliance programs to enforce Alberta's environmental legislation and regulations.

Vision

Alberta's environment sustains a high quality of life.

Mission

Steward and protect Alberta's environment to sustain diverse ecosystems, healthy Albertans, strong communities and a prosperous economy.

Valued Behaviours

The department's values are reflected in our corporate and individual behaviours and define how we treat our stakeholders, clients, partners, the public and each other.

Respect
We trust each other, respect the opinions of others and are respected by others.

Knowledge
We value informed decision-making based on clear problem definition, appropriate context and shared information and analysis.

Continuous Learning
We acquire new skills that increase our capacity for improvement and innovation, and our ability to achieve corporate and personal goals.

Shared Responsibility
We work collaboratively with others to achieve environmental goals.

Integrity
We follow through on our commitments, providing reliable and ethical service.

Leadership
We model the way forward while encouraging and enabling others to be leaders.

Core Businesses

The core businesses of the department are "Assuring Environmental Quality" and "Sharing Environmental Management and Stewardship."

Core Business One:
Assuring Environmental Quality

The department is responsible for assuring that our environment is sustained for current and future generations of Albertans. Programs that support this core business include approvals, compliance and enforcement, monitoring and evaluation, standards, water operations, business planning and performance, policy development and innovation, reclamation, and emergency preparedness.

Department goals linked to this core business are Goal One: "Alberta's environment is clean and safe," and Goal Two: "Albertans receive effective and efficient services."

Core Business Two:
Sharing Environmental Management and Stewardship

Assuring a high quality environment is a shared responsibility. The department is committed to working with citizens to effectively manage the environment for the benefit of current and future generations in Alberta. This includes sharing timely and credible information about the environment, so that Albertans can make informed decisions. Department programs that support this core business include *Albertans & Climate Change: Taking Action*, the *Water for Life: Alberta's Strategy for Sustainability*, intergovernmental relations and partnerships, educational awareness, and integrated resource management.

The department goal linked to this core business is Goal Three: "Albertans recognize the impact of their activities on the environment and are informed, encouraged and enabled to work together to safeguard it."

Operations and Services

Alberta Environment is organized into three main divisions: Environmental Assurance, Regional Services and Strategic Directions. The Communications Division, Corporate Services Division and Human Resources Division support the organization.

Environmental Assurance Division

Beverly Yee, Assistant Deputy Minister
Phone: (780) 427-6247

Environmental Assurance has a lead role in facilitating activities associated with policy, stewardship and environmental systems. Key activities include policy development and integration, environmental monitoring and reporting, environmental education, enabling environmental stewardship through partnerships, and validating and assuring results.

Regional Services Division

Jay Nagendran, Assistant Deputy Minister
Phone: (780) 427-1335

Regional Services provides a community-level service approach through a front-line, regional program delivery model comprising three regions (North, Central and South) and Water Management Operations. This enhances our ability to develop partnerships with communities, and manage the province's numerous programs. The legislative mandate for Regional delivery comes from the *Environmental Protection and Enhancement Act* and the *Water Act*. Each region's operational responsibilities include Approvals, Compliance and Environmental Management. Regional Services Division also provides Water Management Operations which is provincial in scope. In addition, each region is also structured to address issues relevant to its own area, such as providing localized information to minimize risk from river related conditions. Alberta Environment's resources and regional structure are organized to reflect its mandate and to meet the needs of Albertans, by focusing on the delivery of efficient client services.

Strategic Directions Division
John Donner, Assistant Deputy Minister
Phone: (780) 415-8183

Strategic Directions provides strategic leadership and support services to the Ministry and Government of Alberta in identifying, measuring and achieving desired sustainable resource and environmental management outcomes. Strategic Directions brings strategic perspective and context to department initiatives, promotes corporate alignment and assists the department in building a cross-ministry shared vision and shared responsibility with partners. Key functions include strategic business and operational planning, development and management of the Ministry's legislation, coordination of partnerships, support for department shifts with specific focus on the systems management approach and continuous improvement, cross-ministry policy integration, special projects and the integration of climate change into departmental operations.

Corporate Services Division
Monica Norminton, Executive Director
Phone: (780) 422-6082

Corporate Services' role is to provide ongoing support, guidance and advice to the department in areas of financial services, information technology, freedom of information and protection of privacy, records and information management, administrative services and legal services. Staff from the Corporate Services division represent the department on numerous departmental and intergovernmental strategic committees to fulfill the government's goal of being open and transparent with other ministries, citizens, communities, industry and governments. The sharing of environmental information provides Albertans the opportunity to make sound decisions regarding the state of our environment.

Communications Division
Irwin Huberman, Director
Phone: (780) 427-2848

The Communications Division provides the Ministry with quality, coordinated communication resources to build open communication between the Ministry and Albertans. The Division provides comprehensive communications support to department initiatives, programs and services. It also works in partnership with government Ministries, other orders of government, and community and industry organizations to communicate key events and initiatives. The Communications Division provides strategic communications support to key department actions and serves as a spokesperson for the Ministry on corporate issues.

Human Resource Services Division
Mary Jefferies, Director
Phone: (780) 422-7669

Human Resource Services links the people practices of Alberta Environment to the department's vision and mission, supports healthy people in a healthy organization, and provides leadership in human resource matters pertaining to the department.

Human Resource Services provides advice, guidance and strategic direction with respect to initiatives that affect the people working in Alberta Environment. This includes planning, coordinating and evaluating: recruitment and classification initiatives, organization design processes, organization development initiatives, human resource planning, occupational health and safety initiatives, and organizational human resource strategies.

key activities in 2004-05

Key factors influencing the Department's performance in 2004-05 centre around the department's focus on leading the way as environmental stewards while collaborating with others towards a shared environmental goal. Alberta Environment is also responsible for environmental monitoring and compliance programs to ensure compliance with Alberta's legislation and regulations. These compliance programs include education, inspection, abatement, and enforcement.

Over the past year, our performance was strongly influenced by our commitment to working with others. The Department's accomplishments in 2004-05 were collaborative efforts with other ministries, citizens, communities, industry and governments to achieve shared environmental goals.

Alberta Environment's commitment to collaboration and shared responsibility for achieving environmental outcomes can be seen in the development of policy through multi-stakeholder processes that require time and effort to obtain stakeholder buy-in. Collaborative and proactive processes are helping the Department to address environmental issues. The injection of water into oilfields to increase production and the potential development of coalbed methane are two examples of water conservation issues that are benefiting from the Department's proactive engagement of industry and other stakeholders.

Ensuring that Albertans receive exceptional environmental management leadership and service from department staff is a strategic priority. Through strategies focusing on leadership development, continuous learning, and workplace health and well being, the department recognizes the role of staff in achieving results and improving environmental outcomes. Alberta Environment has increased its focus on staff recognition and ensuring a healthy workplace, made learning and development a priority for all staff, and partnered with Alberta Human Resources and Employment to make leadership training available to all staff.

ENGAGING ALBERTANS

In 2004-05, Alberta Environment continued to promote the principle of shared responsibility for the environment by engaging Albertans on several environmental initiatives.

Implementation of Alberta's *Water for Life: Alberta's Strategy for Sustainability* involved stakeholders from many sectors. A review of water use for oilfield injection was led by a multi-stakeholder advisory committee. Agreements with watershed councils in the Bow River Basin, Oldman Basin and North Saskatchewan Basin were established so that these councils can take a leadership role in developing watershed management plans.

A waste management stakeholder group was actively engaged in making recommendations for improving waste management in the province.

During the year, the department also worked with stakeholders on climate change issues, including:

- Industry (e.g. Canadian Association of Petroleum Producers, electricity producers) and the federal government on systems to regulate greenhouse gas emissions,
- Municipalities and the transportation sector on greenhouse gas reduction agreements,
- Climate Change Central, Municipal Affairs, municipalities and Alberta Infrastructure and Transportation on energy conservation, and
- Clean Air Strategic Alliance on developing and applying a comprehensive air quality management system.

Alberta Environment organized a Lake Wabamun scientific review panel chaired by Dr. David Schindler, and consisting of university scientists from across Canada. The panel's recommendations were presented to the public in January 2005. The outcome contributed to our ongoing efforts to make appropriate management decisions for the lake and its watershed. The department also coordinated government participation in public consultations by the International Joint Commission to review a 1921 Order on the apportionment of water from the St. Mary and Milk Rivers between the United States and Canada.

The department also promoted and improved engagement of Albertans through the following programs and initiatives:

- Alberta Environment identified, through a stakeholder workshop, priority substances for ambient air quality objective setting over the next three years.
- In addition, Alberta Environment, together with industry partners, implemented *Switch Out Alberta*, a program to recycle the mercury from end-of-life vehicles. The program is the most successful of three provincial programs in Canada.
- To promote and improve engagement of Aboriginal communities in shared stewardship, Alberta Environment designed and implemented a Cross-Ministry Information Portal for Aboriginal consultation.
- Finalization of Public Participation Principles to support more effective departmental public consultation and stakeholder engagement.

ENVIRONMENTAL TOOLS

In 2004-05, Alberta Environment continued to develop and implement a comprehensive, flexible set of environmental tools and incentives to encourage, support and reward effective environmental management practices. Key initiatives for the application of new tools include:

- Environmental handling fees applied as an economic instrument in the recently launched electronics waste recycling program.
- Continued promotion and enhancement of voluntary, performance-based stewardship programs for environmental leaders in industry.
- The Approval Review Project, which created six codes of practice for municipal drinking water, wastewater, water outfall structure, and sand and gravel pits. The Code of Practice for sand and gravel operations streamlined the regulatory process for approximately 550 pits across Alberta.

MONITORING, EVALUATION AND REPORTING STRATEGY

During this past year, Alberta Environment developed a Monitoring, Evaluation and Reporting Strategy. The strategy will support outcomes-based management and assure Alberta's environment is safe, clean and sustained for future generations. Elements of the strategy included:

- Development of a State of the Environment (SoE) website in collaboration with other departments. Forty-four environmental indicators regarding air quality, climate change, water quality and use, land quality and use, biodiversity and waste management were developed for the SoE website.
- Consultations across the environmental community on hydrometric, meteorological and groundwater monitoring networks.
- Continued upgrade of Alberta Environment's infrastructure to ensure the uninterrupted reporting and monitoring of water and air quality and quantity.
- Establishment of a cross-government workgroup to improve collaboration on environmental monitoring and reporting.
- Continued increase in the use of Internet-based technologies, such as surveying and conferencing tools, to help expand the reach of programs, promote efficiencies and enhance evaluation efforts.

LEGISLATIVE INITIATIVES

The Ministry of Environment amended regulations to address priority issues, including the following:

- Adoption of a code of practice for sand and gravel pits as part of its ongoing efforts to streamline regulatory processes,
- New reporting requirements on greenhouse gas emissions by large final emitters,
- Harmonization of Alberta's regulations for ozone-depleting substances for consistency with the National Action Plan and,
- Broadening information available to the public without the need for a formal request under the *Freedom of Information and Protection of Privacy Act* (FOIP).

The Ministry of Environment also amended regulations to address administrative issues. The renewal period for certificates of qualification for facility operators was extended from two to three years to support changes to the Water and Wastewater Operators Program. These changes were designed to assure Albertans of safe water supplies.

The Ministry also introduced a new Act into the Legislature to make treated water available to communities in the County of Stettler.

A regulatory amendment under the *Environmental Protection and Enhancement Act* allows for sharing of scientific and technical reports and studies related to environmental site assessments with the general public and interested organizations. The amendment also opens the door to the development of a variety of internet-based tools, such as an Environmental Site Assessment Registry (ESAR).

WASTE MANAGEMENT AND RECYCLING

During 2004-05, Alberta Environment released Alberta's *Municipal Waste Action Plan* for reducing municipal solid waste going to landfills and completed new standards for landfills. Operation Clean Farm, a three-year project to collect obsolete pesticides was also completed in 2004-05. The project was a successful partnership involving government and industry. Over 75,000 kilograms of potentially harmful, obsolete pesticides were collected for treatment at the Swan Hills Treatment Centre.

In 2004-05, Alberta Environment developed and implemented the first electronics recycling program in Canada and delegated the responsibility to deliver the program to the Alberta Recycling Management Authority (ARMA). Since the program's inception, over 100 collection sites and electronic roundups have been established throughout the province to collect old televisions, computers, and related electronics.

HEALTH SUSTAINABILITY INITIATIVE

Alberta Environment recognizes the contribution of environmental factors to the health and wellness of Albertans. In 2004-05, Alberta Environment participated in the planning, development and coordination of cross-department policies and actions affecting the success of this initiative. Highlights include:

- Co-chairing the Federal/Provincial/Territorial Committee on Health and Environment.
- Assisting in the development and implementation of the 2004 West Nile Virus Response Plan.
- Inspecting drinking water facilities – 100 per cent of surface water facilities, 50 per cent of groundwater facilities.

ABORIGINAL POLICY INITIATIVE

In 2004-05, Alberta Environment undertook activities to promote the goals and objectives of this initiative. Some highlights of collaboration between the department and Aboriginal stakeholders include:

- Development, with other departments, of a Government of Alberta Aboriginal Consultation Policy to ensure appropriate and effective consultation with Aboriginal communities in the department's regulatory processes.
- Development, with other departments, of a Cross-department Aboriginal Economic Development Strategy.
- Implementation of a training program for staff on First Nations history, culture and legal issues.
- Design and implementation of a Cross-Ministry Information Portal for Aboriginal consultation co-ordination.
- Commitment of a staff member to a one and a half year secondment with the Mikisew Cree First Nation in Fort McMurray to assist the group in addressing their concerns about oil sands development in the area.

results analysis

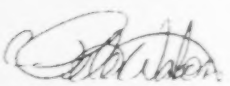
deputy minister's message

Leadership is an attitude, not a position. Over the course of the 2004-2005 fiscal year, Alberta Environment continued to lead the way and foster high standards for environmental responsibility.

The department continued to recognize the key role staff play in achieving its goals. Their devotion and dedication to the environment is the foundation on which the success of the department is built. We are continuing to develop a leadership culture and support our staff with appropriate training and development opportunities, to ensure we are the type of people that Albertans will want to work with as they steward the environment.

The department was also honoured with two Premier's Awards of Excellence for the work employees accomplished during 2004-05. The staff who dedicated their work to the implementation of the Environment Infrastructure Management System and the Athabasca Oil Sands Review Team demonstrated the high standards all Alberta Environment staff achieve on a daily basis.

I commend all department staff for continued success. You have led the way, worked together, and made a difference in sustaining Alberta's environment.



C. Peter Watson, P.Eng.
Deputy Minister of Environment

report of the auditor general on the results of applying specified auditing procedures to performance measures

To the Members of the Legislative Assembly

In connection with the Ministry of Environment's performance measures included in the *2004-2005 Annual Report of the Ministry of Environment*, I have:

1. Agreed information from an external organization to reports from the organization.
2. Agreed information from reports that originated within the Ministry to source reports. In addition, I tested the procedures used to compile the underlying data into the source reports.
3. Checked that the presentation of results is consistent with the stated methodology.
4. Checked that the results presented are comparable to stated targets, and information presented in prior years.
5. Checked that the performance measures, as well as targets, agree to and include results for all of the measures presented in Budget 2004.

As a result of applying the above procedures, I found no exceptions. These procedures, however, do not constitute an audit and therefore I express no opinion on the performance measures included in the *2004-2005 Annual Report of the Ministry of Environment.*

Fred J. Dunn FCA

Auditor General

Edmonton, Alberta
August 2, 2005

expense by core business

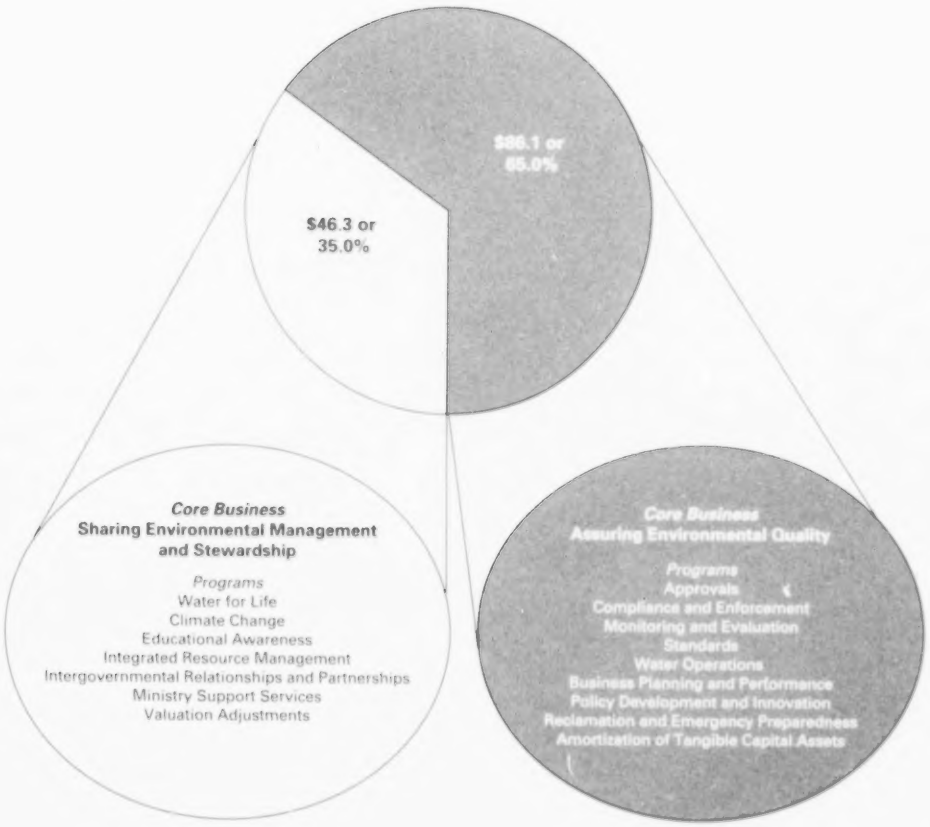
TABLE 1: MINISTRY EXPENSE BY CORE BUSINESS

(unaudited)
(in thousands)

	2004-05 Budget	2004-05 Actual	2003-04 Actual
Assuring Environmental Quality	$ 89,204	$ 86,134	$ 83,648
Sharing Environmental Management and Stewardship	35,667	46,318	38,653
Total Ministry Expense	$ 124,871	$ 132,452	$ 122,301

Note: The total Ministry expense is included in only one function, Environment.

Figure 1: 2004-2005 Ministry Expense by Core Business
(in millions)



discussion and analysis of results

In 2004-05, Alberta Environment achieved significant results in all five of the strategic priorities identified in the 2004-07 Business Plan: Water, Sustainable Resource and Environmental Management, Information and Knowledge, Climate Change, and Staff Capability. Results in each of these priorities were instrumental in moving the Ministry forward in achieving its goals.

Core Business One: Assuring Environmental Quality

Goal One: Alberta's environment is clean and safe

Based on the Ministry of Environment's 2004-07 Business Plan, the following key developments contributed to Goal One:

WATER

In 2004-05, Alberta Environment led implementation of the new provincial *Water for Life: Alberta's Strategy for Sustainability*. Through the Strategy, the depatment is working with partners to:

- Implement a comprehensive strategy to further protect Albertans' drinking water.
- Protect aquatic ecosystems in critical areas.
- Develop a broader range of water management tools and techniques.
- Establish a comprehensive water education program.
- Establish provincial partnerships for watershed management and stewardship.

Key accomplishments during 2004-05 include:

- Completion of a comprehensive assessment of drinking water facilities to provide strategic options to ensure the long-term sustainability of Alberta's municipal waterworks systems.
- Development of methods for monitoring and assessing aquatic ecosystems and commissioning a study to develop performance indicators and measures.
- Completion of the first phase of the Alberta Instream Flow Needs (IFN) Classification Assessment Project. The department developed hydrology-based IFN methods and supporting water management tools as part of developing science-based tools to determine, maintain and protect the health of rivers, streams and lakes in Alberta.
- Training 70 staff members in the use of the department's water operations decision support system.
- Completion of the water quality phase of the Alberta Water Information Centre allowing Albertans to access water quality data online.

AIR

In 2004-05 Alberta Environment worked with the Clean Air Strategic Alliance (CASA) and the Canadian Council of Ministers of the Environment (CCME) to develop plans for maintaining and improving Alberta's air quality. Key accomplishments for 2004-05 include:

- Development of additional opportunities to institute air pollutant emissions trading through the establishment of working groups and action plans.
- Development of a new set of CASA Airshed zone guidelines.
- Update of the *Air Monitoring Directive* in consultation with stakeholders.
- Amendment of the *Ozone-Depleting Substances and Halocarbons Regulation* in step with the agreed National Action Plan.
- Development of new and revised ambient air quality objectives for five volatile organic compounds, three metals and four air toxics.

CLIMATE CHANGE

In 2004-05, Alberta Environment worked with government partners and stakeholders to implement *Albertans & Climate Change: Taking Action.* Through cooperation with Alberta Energy, Alberta International and Intergovernmental Relations and other ministries, Alberta Environment strives to make the province a leader in implementing energy efficiency and conservation.

Key accomplishments during 2004-05 include:

- Implementation of Canada's first greenhouse gas reporting program for large final emitters, developed with significant interdepartmental and stakeholder involvement.
- Co-sponsorship, design and delivery of a workshop on climate change education for educational professionals engaged in teaching future teachers.
- Promotion of Alberta's climate change interests by successfully participating in Conference of Parties Ten (COP10) including a joint technology intervention by Ministers Stephane Dion and Guy Boutilier.

Core Business One: Assuring Environmental Quality

Goal Two: Albertans receive effective and efficient services

Based on the Ministry of Environment's 2004-07 Business Plan, the following key developments contributed to Goal Two:

WATER

- Completed a comprehensive review of the source, operation, and treatment performance of over 500 municipal water works systems.
- Provided information on compliance and assurance programs at Trade Shows in a number of communities and at public forums on the Battle River Water Management Planning Process.

SUSTAINABLE RESOURCE AND ENVIRONMENTAL MANAGEMENT

- Implemented an Information Technology Framework with the priority project for Alberta Environment's infrastructure rebuild, progressing on time and on budget.
- Implemented Codes of Practice including for municipal regional water and wastewater systems, high quality groundwater, wastewater lagoon systems, storm sewer outfalls, and sand and gravel pits. Provided training sessions to consultants and municipalities on the application of new codes of practice.
- Delivered education activities as part of compliance assurance and enforcement programs to further increase public understanding and awareness of regulatory requirements.
- Completed the Compliance Assurance Principles and Program Document. This document is part of Alberta Environment's commitment to ensure that compliance assurance principles and programs provide clarity and certainty to Albertans.

STAFF CAPABILITY

- Offered Leadership Program to staff in cooperation with Alberta Human Resources and Employment.
- Continued to support employee learning and development through formal learning activities and on-the-job developmental opportunities. Staff capability was also enhanced through on-the-job learning activities.
- Develop and piloted an Occupational Health and Safety administrative audit fro all department staff with the exception of Waste Management Operations (WMO). The audit focused on identifying safety measures for staff whose work is largely or wholly administrative. WMO completed and passed internal audits in preparation for Certificate of Recognition audits to be completed in 2005-06.
- Continued focus on employee well being through Healthy Workplace activities and initiatives. Over 100 staff began Alternative Work Arrangements to facilitate work-life balance while supporting business requirements.
- Enhanced the Recognition Program with continued focus on ongoing, informal recognition across the department.
- High utilization of the Learning Account by staff for professional and personal development.

Department results from the Corporate Employee Survey in 2004 continued to improve including satisfaction with work, measures of organizational, work unit and personal performance, and management support. Highlights of satisfaction with employment in Alberta Environment included learning and development opportunities, workplace health initiatives, working relationships and quality of service received from colleagues.

Core Business Two: Sharing Environmental Management and Stewardship

Goal Three: Albertans recognize the impact of their activities on the environment and are informed, encouraged and enabled to work together to safeguard it

Based on the Ministry of Environment's 2004-07 Business Plan, the following key developments contributed to Goal Three:

WATER

- Grant commitments were met under the Alberta Waste Management Assistance and Alberta Water Management and Erosion Control program. Grant payments were made in the amount of $11.9 million, exceeding the Department budget for these programs by $10.6 million. These commitments were met by deferring other program needs as it was recognized that water and wastewater issues existing in communities needed to be addressed on a priority basis.
- Conclusion of a multi-stakeholder process through a comprehensive assessment of water use in oilfield injection. The Advisory Committee on Water Use Practice and Policy was established, involving representatives from industry, government, municipalities and environmental groups, to examine the issue of oilfield use of fresh water. The committee reviewed existing policies and practices and provided recommendations that could lead to the reduction or elimination of this type of water use.
- Development of a water education program to address a range of topics (water conservation, water quality, wetlands) that was delivered to the general public and to Alberta teachers.
- Establishment of the Alberta Ingenuity Centre for Water Research with the participation of three universities (Lethbridge, Calgary and Alberta) to conduct water research.

- Establishment of the multi-stakeholder Alberta Water Council to provide guidance on the implementation of the *Water for Life: Alberta's Strategy for Sustainability*, and Watershed Planning and Advisory Councils to take a leadership role in watershed planning and reporting.
- Designation of Watershed Planning and Advisory Councils in the Bow, Oldman, and North Saskatchewan River Basins.
- Work by Watershed Planning and Advisory Councils throughout the province on various watershed planning initiatives including the:
  - North Saskatchewan Watershed Alliance and their preparation of the State of the Watershed Report and initiation of the Integrated Watershed Management Plan for the North Saskatchewan River,
  - The Battle River watershed planning process led by Alberta Environment,
  - Establishment of the Red Deer River Watershed Alliance and,
  - Phase Two of the planning process for the South Saskatchewan River Basin.

AIR

- Update of the *Air Monitoring Directive* in consultation with stakeholders.
- Amendment of the *Ozone-Depleting Substances and Halocarbons Regulation* in step with the agreed National Action Plan.
- Development of new and revised ambient air quality objectives for five volatile organic compounds, three metals and four air toxics.

SUSTAINABLE RESOURCE AND ENVIRONMENTAL MANAGEMENT

In 2004-05 the Ministries of Environment, Energy and Sustainable Resource Development, and the Sustainable Development Coordinating Council (SDCC), began implementation of a strategic, government-wide systems approach to managing our resources and environment. This approach is driven by clear, concrete environmental outcomes and performance measures. It depends on a sound understanding of the environment (e.g. watersheds, airsheds, ecosystems) and an effective environmental management system. It is built on collaboration with many parties with clearly defined roles and responsibilities for achieving the outcomes.

The Regional Sustainable Development Strategy for the Athabasca Oil Sands Area, the Cumulative Environmental Management Association, the Northern East Slopes Strategy and Southern Alberta Sustainable Strategy advanced regional approaches to sustainable development.

INFORMATION AND KNOWLEDGE

- Development of a State of the Environment (SoE) website, in collaboration with other ministries. Environmental indicators were developed for the website on air quality, climate change, water quality and use, land quality and use, biodiversity and waste management.
- Development of new land and groundwater websites and a new water quantity website to complement the real-time data and water quality websites. To allow Albertans access to water quality data online, the Alberta Water Information Centre water quality phase was completed. In addition, an electronic reporting system for Alberta's drinking water system was developed.
- After completion of recent regulatory changes, the Routine Disclosure Initiative made available a wide range of information related to the *Environmental Protection and Enhancement Act* without the need for a formal request to be processed under the *Freedom of Information and Protection of Privacy Act*.
- Delivery of environmental education presentations, workshops, and information sessions reaching approximately 9,000 individuals. This includes approximately 2,800 teachers, student teachers and kindergarten to Grade 12 students, 4,000 Albertans through public education activities and over 2,100 staff from Alberta Environment and other departments.
- Celebration of Environment Week May 30-June 5, 2004, featuring water conservation. Numerous events/activities were held around the province to raise awareness and educate Albertans.

One event, the "Minister for the Day" program, attracted 250 students from across Alberta. Six Grade 5 students spent the day with the Environment Minister.

- Waste Reduction Week featured a "Reduce your Wasteline" competition reaching approximately 1,000 students. Thirty-nine schools participated, raising the awareness of students and teachers on the generation of paper waste. Many schools made commitments to recycle paper and decrease consumption by using both sides of the paper.
- Development and update of over 25 information and education products. Highlights include a wetlands display developed in partnership with Ducks Unlimited and the Calgary Airport Authority, and a number of teaching kits that support Alberta's curriculum. These include a kit on grasslands, a kit on waste management developed in partnership with the Recycling Council of Alberta and another kit on wetlands developed in partnership with Ducks Unlimited Canada.
- This year the Education and Information Centre:
  - responded to over 2,100 email requests,
  - processed almost 13,000 telephone calls,
  - distributed more than 28,000 print publications and,
  - received nearly 560,000 website hits on the Centre's homepage.

CLIMATE CHANGE

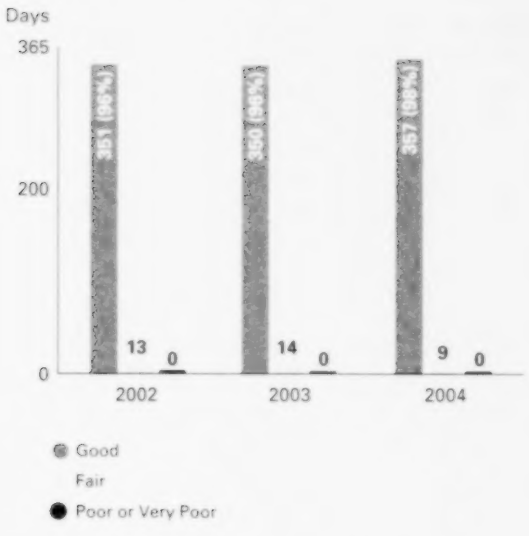
Work with stakeholders during 2004-05 to implement *Albertans & Climate Change: Taking Action* included:

- Industry (e.g., Canadian Association of Petroleum Producers, electricity producers) and the federal government on systems to regulate greenhouse gas emissions.
- Municipalities and the transportation sector on greenhouse gas reduction agreements.
- Climate Change Central, Municipal Affairs, municipalities and Alberta Infrastructure and Transportation on energy conservation.
- Petroleum Technology Alliance Canada Technology for Emission Reduction and Eco-efficiency Steering Committee, comprising representatives of industry, federal and provincial departments and other organizations to demonstrate greenhouse gas reducing technologies in the upstream oil and gas sector. Four projects in operation or completed are: Optical Measurement Technology for Fugitive Emission-Spectrasyne Dial Unit, Sulphur Plant Incinerator Optimization, Enhancement with REH AFK Systems, and Fire-Tube Immersion Heat Efficiency Project.
- The establishment of three multi-stakeholder teams and four cross-departmental teams to advise and assist in the implementation of the recommendations of the Clean Air Strategic Alliance by the Electricity Project Team.
- Alberta Infrastructure and Transportation to support their energy efficiency programs for government buildings and school boards.
- Alberta Municipal Affairs, the Alberta Urban Municipalities Association, the Alberta Association of Municipal Districts and Counties, the Alberta Capital Finance Authority, and with the assistance of Climate Change Central, to support the ME First! interest-free loan program to encourage energy efficiency and conservation in Alberta municipalities. To date, 36 projects have been approved and others are pending (worth roughly $19 million).
- Prairie Adaptation Research Collaborative and Climate Change Central to design and deliver a well-received Prairie Drought workshop for stakeholders, other departments and the Agriculture Financial Services Corporation.
- Collaboration with Alberta Energy Research Institute to:
  - Successfully obtain $6 million funding through the Canada-Alberta Western Economic Partnership Agreement to develop the Canadian Centre for Geological Storage.
  - Establish EnergyINet as a major Canada-wide vehicle for funding innovative energy technology.
  - Participate with the Alberta Geological Survey in the Carbon Sequestration Leadership Forum, focusing on the development of carbon capture and storage technologies.

Core Business One: Assuring Environmental Quality

Goal One:
Alberta's environment is clean and safe

Figure 3: Air Quality Days



Note: There were no "poor" or "very poor" days between 2002-2004. Bars have been included for presentation purposes.

PERFORMANCE MEASURES

Air Quality Index

A key environmental concern of Albertans is the quality of the air we breathe. Ensuring the protection of Alberta's clean air is paramount to maintaining our health and quality of life. The air quality index provides an indication of the quality of air in Alberta throughout the year. Air quality is influenced by a number of factors including vehicle emissions, weather patterns, forest fires and intensity of industrial development. In Alberta, "poor" or "very poor" air quality can occur when smoke from forest fires is transported into urban centres. "Poor" air quality can also occur during summertime and wintertime smog events.

Data

The Air Quality Index (AQI) is a measure of outdoor concentrations of five major air pollutants (carbon monoxide, fine particulate matter ($PM_{2.5}$), nitrogen dioxide, ozone, and sulphur dioxide) monitored across the province. In 2004, there were 11 stations available to calculate the air quality index. These included three stations in both Edmonton and Calgary, one station in each of Red Deer, Fort Saskatchewan and Lethbridge (new station), and two stations in Fort McMurray (Fort McMurray – Athabasca Valley and Fort McMurray – Patricia McInnes (new station)). Prior to 2004, nine stations were included in the air quality index calculation.

Target

The target is to maintain "good" air quality equal to or greater than 97 per cent of the time.

Results

The figure shows the number of air quality days in each category on an annual basis. In 2004, "good" air quality occurred 98 per cent of the time. The number of "good" air quality days increased from 350 days in 2003 to 357 days in 2004. The influence of smoke from forest fires in southwestern Alberta and southern British Columbia caused the lower frequency of "good" air quality days in 2003.

Air Quality Index Ambient Monitoring Stations

River Water Quality Index

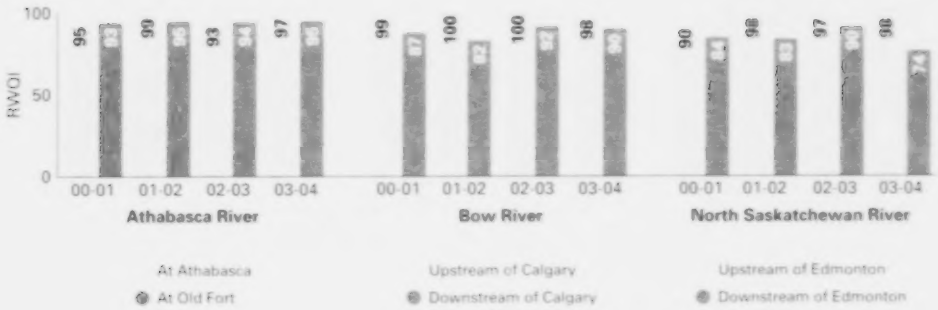
The River Water Quality Index (RWQI) evaluates the quality of water at two locations in each of Alberta's six major river systems with respect to four groups of water quality variables: metals, bacteria, nutrients, and pesticides.

The River Water Quality Index was developed to summarize complex chemical, biological, and physical data into a simple composite descriptor of water quality. This provides a general indicator to compare water quality between sites, and over time.

Data

Data for the river water quality index is collected monthly at a number of locations throughout the province. These stations make up the provincial Long-Term River Network (LTRN). Stations upstream and downstream from agricultural, industrial, or municipal areas are compared to examine the overall impact of these developments on river water quality. Index values for a sub-set of these stations from the province's six major river systems show changes in water quality that have occurred over the past four years (Figure 4).

Figure 4: Alberta River Water Quality Index (RWQI)



Athabasca River

Pesticide and bacteria levels have remained very low at Athabasca and Old Fort sites. Overall index values increased this period at both sites due to lower spring nutrient concentrations.

Bow River

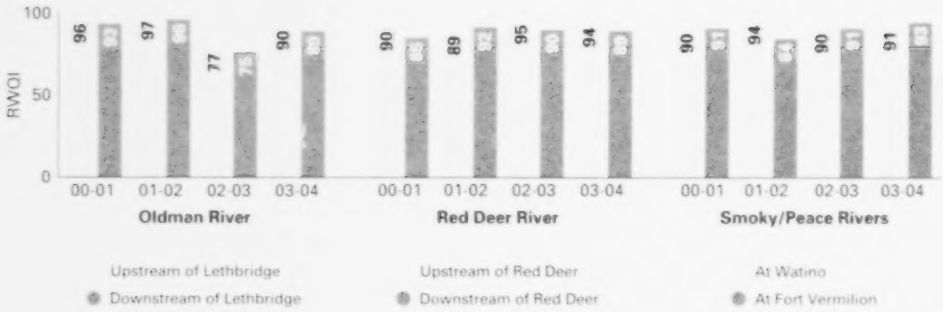
Water quality is better upstream of Calgary than downstream. Upgraded municipal wastewater treatment, including full disinfection (1997), has resulted in improved conditions downstream, although the pesticide index remains slightly lower downstream. A slight decrease in the upstream index is due to increased spring nutrient concentrations; a similar downstream decrease reflects a small increase in pesticide detections and spring bacteria values.

North Saskatchewan River

Water quality is better upstream of Edmonton than downstream. Downstream conditions have generally improved, due to upgraded wastewater treatment (1998), which has reduced the levels of bacteria in the river. This period, a decrease in the downstream index relative to previous years is primarily due to increased bacterial counts (and to a lesser degree, nutrients) in spring and winter, and to summer pesticide detections. A small increase in the upstream index reflects slightly lower spring nutrient concentrations.

Target
To maintain overall quality of Alberta's rivers.

Results
In 2003-04, five of six river systems had "good" to "excellent" water quality. The one exception was the North Saskatchewan River which was rated as "fair" at the Pakan site, primarily due to increased bacterial counts and pesticide detections.



Index	Guidelines
96-100	Almost always met (Excellent)
81-95	Occasionally not met, but usually by small amounts (Good)
66-80	Sometimes not met by moderate amounts (Fair)
46-65	Often not met, sometimes by large amounts (Marginal)
0-45	Almost always not met by large amounts (Poor)

Index based on the results of testing water quality for four variable groups compared to water quality guidelines.

Oldman River
Upgraded municipal wastewater treatment (1999) has generally improved conditions downstream of Lethbridge. This period, water quality is similar between sites upstream and downstream, though pesticide detections were slightly higher at the downstream site. The decrease in 2002-03 index values relative to other years was largely due to elevated nutrient and bacteria values measured during late spring. This reflects water quality during very high river flows, influenced by increased runoff and non-point source loading.

Red Deer River
Water quality is slightly better upstream of Red Deer, relative to the downstream site. However, upgraded wastewater treatment (99-00) has resulted in generally improved downstream conditions. This period, upstream and downstream index values are similar to the previous year. The slight decrease in the index reflects higher nutrient and metal concentrations during spring runoff, and (at the downstream site) slightly more frequent pesticide detections.

Smoky/Peace River
At Watino, the overall index value increased slightly this period, due to a decrease in spring bacteria levels, though spring nutrient levels were slightly higher than in the previous year. The Fort Vermillion index also displayed a small increase, due to lower spring nutrient concentrations. As in the previous year, pesticides were not detected at either site this period.

River Water Quality Index Monitoring Stations Map

1 Athabasca River at Athabasca
2 Athabasca River at Old Fort
3 Bow River at Cochrane
4 Bow River Downstream at Carseland Dam
5 North Saskatchewan River at Devon
6 North Saskatchewan River at Pakan
7 Oldman River at Highway 36
8 Oldman River at Highway 3
9 Peace River at Fort Vermilion
10 Red Deer River at Highway 2
11 Red Deer River at Morrin Bridge
12 Smoky River at Watino

Drinking Water Safety Indicator

Under the *Environmental Protection and Enhancement Act*, Alberta Environment regulates waterworks facilities that provide water to Albertans (excluding private systems). The Drinking Water Safety Indicator (DWSI) assesses the ability of waterworks facilities to provide safe drinking water by measuring the treatment technology in place, how they are operated, and the quality of the water they produce. The indicator demonstrates the high quality of Alberta's drinking water program, ensuring Albertans continue to enjoy safe drinking water. The indicator includes three sub-measures:

- Facility Design Standards (FDS),
- Facility Operational Requirements (FOR), and
- Water Quality (WQ).

Facility Design Standard

This measure reports the number of facilities keeping pace with current design requirements and indicates if continuous improvement is achieved. There were 545 facilities in 2004-05.

Facility Operational Requirements

Water treatment plants must be operated correctly to produce safe water. This measure reports the number of major incidents where regulatory requirements have not been met and could lead to water quality incidents. Examples are not monitoring the plant as required or not having qualified operators.

Water Quality

This measure reports the number of incidents where the water supplied by a facility had a water quality parameter exceeding the required limits. The required limits are based on the Guidelines for Canadian Drinking Water Quality and performance requirements specified by the regulator for a specific treatment technology.

Target

To be determined.

Results

In 2004-05, 409 of the 545 regulated systems (75 per cent) had treatment technology in place meeting the newest standards. This is an improvement of 32 facilities (6 per cent) over last year. For the Facility Operational Requirements (FOR) measure, 45 incidents were identified in 35 facilities this year. This is a decrease from the 59 incidents identified last year in 40 facilities. For the Water Quality (WQ) measure, there were 69 water quality incidents that occurred at 49 facilities. This is an increase from 48 incidents at 47 facilities last year. The increase may be due to increased self-reporting by facilities of performance requirement incidents. The number of self-reported incidents increased to 52 from only 15 last year. However, the number of government identified incidents identified during inspections decreased to 17 from 33 last year. This indicates operators are identifying, reporting, and taking action to correct problems immediately and the problems are not sustained or going unnoticed.

Table 3: Drinking Water Safety Indicator

Facility Design Standards	**2003-04**	**2004-05**
Number of Regulated Facilities	544	545
• Number of Facilities Meeting Newest Standards (1997)	377 (69%)	409 (75%)
• Number of Facilities Meeting Pre-1997 Standards	167 (31%)	136 (25%)
Facility Operational Requirements	**2003-04**	**2004-05**
Number of Incidents	59*	45
• Number of Facilities Where Incidents Occurred	40*	35
Water Quality	**2003-04**	**2004-05**
Number of Incidents Where Health Related Limits Were Exceeded	48*	69
Number of Facilities Where Health Related Limits Were Exceeded	47*	49

**Data for 2003-04 have been restated to ensure all available data are used and to allow consistent year-to-year comparison.*

Greenhouse Gas Emissions Intensity Indicator

The Greenhouse Gas Emissions Intensity Indicator (GHGGT) compares total annual greenhouse gas (GHG) emissions across the Alberta economy to total provincial gross domestic product (GDP) generated in Alberta since 1990.

Target

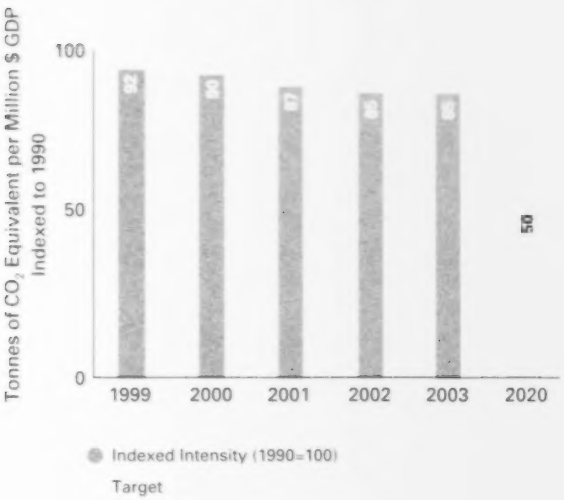
Annual targets to be determined (50 per cent of 1990 by 2020).

Results

In 2003, Alberta's greenhouse gas emissions intensity remained at 85 per cent of 1990 levels. This result is a reflection of two factors: strong economic growth, coupled with a modest increase in associated greenhouse gas emissions; and revisions to Environment Canada's greenhouse gas emissions data as part of its ongoing review process, which lowered the initial 1990 baseline, consequently altering the measure relative to that baseline. With 2003 emissions intensity at 15 per cent below 1990 levels, Alberta is nearly a third of the way to the 2020 target.

In 2004-05, government initiatives to curb greenhouse gas emissions included: developing Canada's first greenhouse gas reporting program for large final emitters enacted under *Alberta's Climate Change and Emissions Management Act*; supporting the ME First! interest free loan program to encourage energy efficiency and energy conservation in Alberta municipalities; and participating with the Alberta Geological Survey in the development of carbon capture and storage techniques.

Figure 5: Alberta Greenhouse Gas Emissions Intensity



- Based on draft 2003 GHG emission estimates from Environment Canada as of May 20, 2004
- Current figures reflect an adjustment made to both GHG emissions and GDP data back to 1990 (by Environment Canada and Alberta Finance respectively)

Data Sources:
GHG Emissions Data – Environment Canada – www.ec.gc.ca/pdb/ghg/ghg_home_e.cfm
GDP (2003) Data – Statistics Canada – www.statcan.ca/daily/english/040428/d040428a.htm

Effective Infrastructure

Effective, efficient and good quality infrastructure is an essential building block to support economic development and provide for the well being of Albertans.

Effective Infrastructure measures the physical condition, utilization and functional adequacy of provincially owned water management infrastructure as required by the government's Capital Planning Initiative (CPI).

Physical Condition (C)
Current physical condition is a critical factor involved in the decision to reconstruct, rehabilitate and maintain infrastructure.

Functional Adequacy (FA)
Poor physical layout or inefficient design, or inability to meet code requirements, will affect infrastructure's functional adequacy, which can affect operational usefulness or efficiency.

Utilization (U)
Significant over-utilization or underutilization of the infrastructure may indicate the need to construct, reconstruct, rehabilitate or dispose of facilities.

Effective Infrastructure (EI) links to Goal 12 of the Government of Alberta's 2004-07 Business Plan, "Alberta will have effective and sustainable government-owned and supported infrastructure." The Physical Condition measure of the EI is used as a performance measure for Goal 12 in the government's Business Plan and Annual Report.

Target
Effective Water Management Infrastructure is a new measure in the 2004-07 Business Plan and the target was to be determined. Based on the data gathered for the 2004-05 period, targets for the next three years will be to annually maintain the baseline plus any improvement shown in the previous fiscal period.

Results
In 2004-05, 99.5 per cent of water management infrastructure was in "fair," "good" or "excellent" condition compared to 96 per cent in the previous year.

Figure 6:
Physical Condition 2004

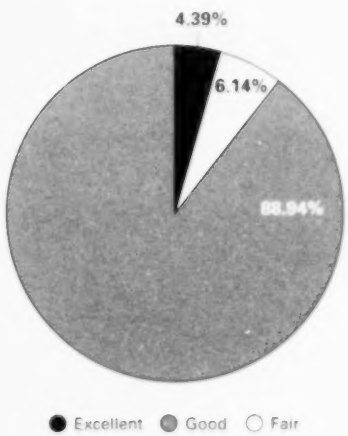


Figure 7:
Functional Adequacy 2004

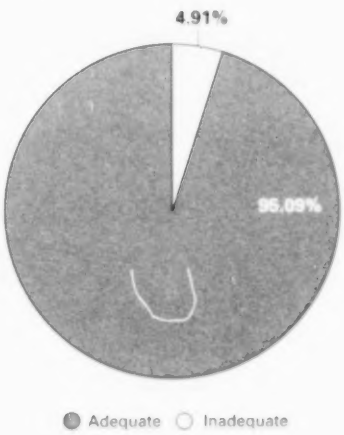
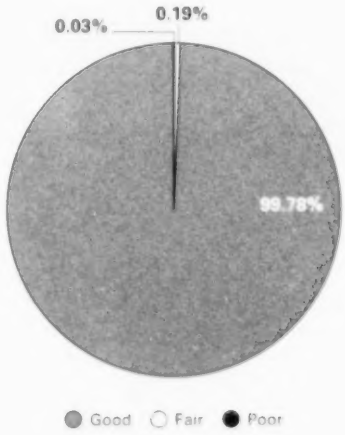


Figure 8:
Utilization 2004



Core Business One: Assuring Environmental Quality

Goal Two: Albertans receive effective and efficient services

Table 4: Stakeholder Satisfaction

	2004-05
Overall Satisfaction of Stakeholders with Ministry Programs and Services Accessed through Alberta Environment	55.4%

PERFORMANCE MEASURES

Stakeholder Satisfaction with Ministry Programs

This measure is an overall rating of the level of satisfaction with the ministry's programs and services. Performance on this measure is based on proportion of stakeholders that they were "satisfied" or "very satisfied" with the programs and services accessed from the ministry. The survey also included questions regarding the ministry's performance regarding the Government of Alberta's criteria for service excellence (courtesy, going the extra mile, knowledge, timeliness and accessibility), and stakeholder opinions on the ministry and the environment.

Data

A stakeholder survey was used to measure stakeholder satisfaction with the Ministry's programs and services. Stakeholder groups include: academic institutions, government organizations, business/industry, and non-government organizations. The first survey was conducted in 2004-05.

Target

This is a new measure and targets to be determined. Baseline data of respondents that answer either "satisfied" or "very satisfied" with Ministry program and services was collected in 2004-05. The target for 2005-06 is to improve average satisfaction by 2 per cent per year.

Results

Fifty five per cent of the ministry's stakeholders were "satisfied" or "very satisfied" with services and programs accessed through Alberta Environment. These results will form the baseline for the Stakeholder Satisfaction with Ministry Programs measure. Eighty seven percent either "agreed" or "strongly agreed" that ministry staff were courteous, 67 per cent either "agreed" or "strongly agreed" that staff were knowledgeable about the ministry's programs and services, and 54 per cent either "agreed" or "strongly agreed" that the waiting time dealing with the person who serviced them was reasonable.

Core Business Two: Sharing Environmental Management and Stewardship

Goal Three: Albertans recognize the impact of their activities on the environment and are informed, encouraged and enabled to work together to safeguard it

PERFORMANCE MEASURES

Municipal Solid Waste to Landfills

This measure tracks the kilograms per capita of municipal solid waste going to municipal landfills in Alberta. Waste included in the measure comes from the residential sector, the industrial/commercial/institutional sector, and the construction/renovation/demolition sector.

Data

The amount of waste generated and disposed in the province impacts the quality of Alberta's water, land and air. The current waste disposed per person is approximately 800 kilograms. The waste reduction target of 500 kilograms per person by the year 2010 is a 50 per cent reduction in waste from 1998 levels as set out by Canadian Council for Ministers of the Environment.

A per capita goal is useful because it is a concrete, easy-to-understand target. The 2010 timeframe was deemed appropriate as many of the simpler waste reduction activities have already been undertaken or achieved. Further waste reduction and recycling goals will require more work, infrastructure, support, and education/awareness, and will therefore require a longer timeframe to see results.

The Canadian Council of Ministers of the Environment developed the method used to calculate the annual waste reduction statistic. It is based on the use of measured amounts of material sent for disposal at landfills with weigh scales. Reporting is voluntary. All landfills that have been asked have supplied their data. Waste statistics are calculated for both urban and rural areas, and a composite statistic for the province is calculated using population figures from Alberta Municipal Affairs.

Approximately 82 per cent of Alberta's population is served by reporting landfills. For municipalities not reporting, estimates are determined by multiplying estimated populations by measured per capita disposal rates of reporting landfills.

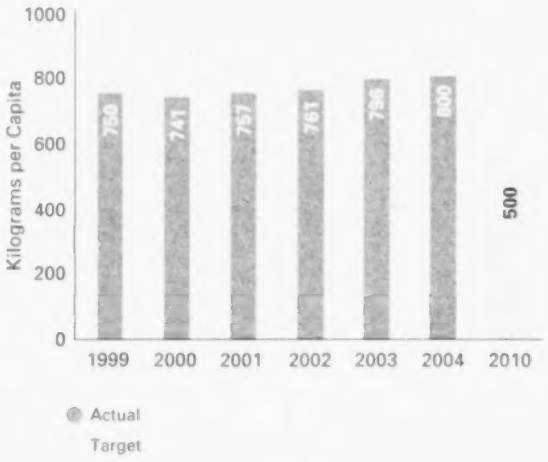
Target

Annual targets to be determined (500 kilograms per capita by 2010). The waste reduction target for Alberta is to reduce municipal solid waste disposal to landfills to 500 kilograms per capita by 2010.

Results

This chart shows the amount of municipal solid waste going into landfills each year, measured in kilograms per capita. The amount of municipal solid waste going into landfills in 2004 increased slightly to 800 from 796 kilograms per capita in 2003. This increase is attributed to Alberta's current robust economy.

Figure 9: Municipal Solid Waste to Landfills



Water Use Efficiency and Productivity Indicator (Under Development)

Compares the amount of water allocated in relation to productivity and the population.

Data

Water conservation is a focus of *Water for Life: Alberta's Strategy for Sustainability*. Water is managed and allocated to support sustainable economic development and the strategic priorities of the province. The strategy sets a target that "the overall efficiency and productivity of water use in Alberta has improved by 30 per cent from 2005 levels by 2015."

Target

Annual targets to be determined (30 per cent improvement by 2015).

Results

This is a new performance measure, which is still under development.

Energy Efficiency Conservation Indicator

Total number of programs for energy efficiency/ conservation.

Data

The Voluntary Challenge Registry, the data source for this measure was cancelled in 2004-05 in anticipation of emissions reporting legislation being introduced by the federal government. Therefore, no data are available to report on this measure.

Target and Results

The measure has been discontinued as the data source, the Voluntary Challenge Registry has been cancelled.

CHANGES TO PERFORMANCE MEASURES INFORMATION

As Alberta Environment continues to implement strategies to improve its role as environmental manager and steward, performance measures are reviewed for effectiveness in charting the Ministry's progress toward its goals. Alberta Environment is committed to developing, monitoring and reporting on the "best" measures available to reflect whether or not the Ministry is having an effect in improving environmental outcomes.

A number of performance measures reported in the 2003/04 Annual Report have been discontinued or replaced by new measures. The new measures are more appropriate either because they better reflect the Ministry's evolving role, or because they conform better to standards for business planning and reporting.

The performance measures:

- Alberta Organizations Energy Productivity Improvements,
- Government of Alberta Greenhouse Gas Emissions Profile and,
- Amount of Biochemical Oxygen Demand Substances Discharged

were discontinued after the 2003-04 reporting period.

The Greenhouse Gas Emissions Intensity Indicator will be discontinued next year.

A new performance measure to track progress toward achievement of the Ministry's goal of a clean and safe environment, Effective Infrastructure, was added in 2004-05. Also, a performance measure was developed in 2004-05 to address Alberta Environment's goal of efficient and effective service to Albertans – Stakeholder Satisfaction with Ministry Programs. Finally, addressing the goal of Albertans recognizing the impact of their activities on the environment and being informed, encouraged and enabled to work together to safeguard it, a new performance measure was identified in 2004-05 – the Water Use Efficiency and Productivity Indicator and is still under development.

The Surface Water Quality Index reported in the 2003-04 Annual Report was renamed the River Water Quality Index in 2004-05 to more accurately reflect what the index was measuring. The River Water Quality Index is regularly reviewed and upgraded. This will continue along with the development of indicators of aquatic ecosystem health.

The Drinking Water Quality Index reported in the 2003-04 Annual Report has been renamed the Drinking Water Safety Index in 2004-05 to better reflect the intent of the performance measure and what it actually measures. The 2003-04 Annual Report indicated one of four sub-measures, Incidence of Illness, was under development. The Illness sub-measure was not reported on as it is still under development. Future references to this submeasure within the Drink Water Safety Indicator have been removed due to fact that it will take a number of years to develop the sub-measure.

The Energy Efficiency Conservation Indicator was not reported on as the Voluntary Challenge Registry which provides the data for this measure has been discontinued.

DATA SOURCES AND METHODOLOGY

Air Quality Index (AQI)

The Air Quality Index (AQI) number is used to determine whether the quality of the air is "good," "fair," "poor" or "very poor." These categories are derived using formulas based on air quality objectives under the *Environmental Protection and Enhancement Act* and the *National Ambient Air Quality Objectives*. The AQI number is calculated hourly and converted into air quality days. Results are rounded to the nearest whole day.

In 2003, the AQI was modified to include hourly measurements of small particulates ($PM_{2.5}$). $PM_{2.5}$ are particles that are small enough to be inhaled into the lungs and, depending on their composition, may be a human health concern. Hourly $PM_{2.5}$ data were available from all 11 stations used to calculate the AQI in 2004 and all nine stations used to calculate the AQI in 2003. However, in 2001, hourly $PM_{2.5}$ was not measured at the Calgary Northwest, Calgary East and Fort Saskatchewan monitoring stations. In 2002, hourly $PM_{2.5}$ was not measured at the Calgary Northwest and Calgary East stations.

Air quality is influenced by a number of factors including vehicle emissions, weather patterns, forest fires and intensity of industrial development. In Alberta, "poor" or "very poor" air quality can occur when smoke from forest fires is transported into urban centres. "Poor" air quality can also occur during summertime and wintertime smog events.

On hot, sunny summer days, smog can be formed due to a complex set of chemical reactions involving pollution from automobiles and industry. Summertime smog has a light brown colour and can reduce visibility. Ground-level ozone is a major component of summertime smog.

Wintertime smog can occur when there is a strong temperature inversion and light winds. This combination of weather conditions will often create a layer of cool, stagnant air near the ground. Air pollutants, mostly from automobiles, are trapped in this layer of stagnant air.

River Water Quality Index

Monthly water quality samples are collected at two locations for each of the province's six major river systems. An index value is calculated for each of four variable groups for data collected between April and March, representing both a fiscal year and a "water" year:

- Metals (22 variables measured quarterly),
- Nutrients (six variables measured monthly, includes oxygen and pH),
- Bacteria (two variables measured monthly), and
- Pesticides (17 variables measured four times through the summer).

Index values for the four variable groups are then averaged to produce an overall index of river water quality that can be tracked over time. The formula used to calculate index values for each group is based on three statistical attributes of water quality with respect to desirable levels (defined by water quality guidelines in most cases):

- **Scope**
  The total number of water quality variables that do not meet guidelines,
- **Frequency**
  The number of individual measurements for all variables combined that do not meet guidelines, and
- **Amplitude**
  The amount by which measurements do not meet guidelines.

Variables in the first three groups (metals, nutrients and bacteria) are compared to guidelines listed in *Surface Water Quality Guidelines for Use in Alberta*. Where a number of guidelines exist for one variable, the guideline for the most sensitive use (recreation, agriculture, or the protection of aquatic life) is chosen. Drinking water guidelines are not considered, since surface water should not be used for drinking without first being treated.

Variables in the fourth group (pesticides) are evaluated based on whether they can be detected in a water sample. This conservative approach was adopted because some pesticides do not yet have official guidelines and, unlike metals, nutrients and bacteria, do not occur naturally in the environment.

The Index is ongoing, as is the supporting monitoring network. At present, the index is reported as an annual average calculation. However, a three-year rolling average calculation is being considered for the next reporting year. This approach may dampen fluctuations caused by large natural events and provide a more stable water quality indicator for comparison against targets.

Drinking Water Safety Indicator

The Drinking Water Safety Indicator is comprised of four separate measures that collectively provide an indicator of the performance of regulated waterworks facilities in delivering safe drinking water to Albertans. Under the *Environmental Protection and Enhancement Act*, Alberta Environment regulates waterworks facilities that provide drinking water to Albertans through a variety of developments, including campgrounds and rural subdivisions that use surface water sources, and all waterworks in villages, towns, and cities.

Facility Design Standards (FDS)
The measure is an assessment of an approved drinking water facility's design against the latest Alberta Environment design standards. These standards are revised every five to 10 years. Staff members at Alberta Environment update these assessments throughout the year and report the results annually. The reported results indicate the number of facilities that have maintained or upgraded to meet the latest requirements.

Facility Operational Requirements (FOR)
Approved drinking water facilities operate under conditions of an approval or registration issued under the *Environmental Protection and Enhancement Act*. Facility Operational Requirements show incidents where approval conditions have not been met and could potentially lead to water quality concerns.

Regulated facilities are required to self-report non-compliance. In addition, Alberta Environment staff annually inspect approved facilities and report the number of non-compliance incidents.

Water Quality Measure (WQ)
Regulated drinking water facilities must report on the quality of treated water against regulatory limits. The WQ measure shows incidents where the water supplied by a facility had a water quality parameter exceeding the limits attached to the facility's approval or registration. Alberta has adopted the health-related limits of the *Guidelines for Canadian Drinking Water Quality* published by Health Canada as well as establishing performance requirements for the treatment technology used. Most health-related limits are a concern if the water is consumed over a long period of time (many years) and exceedances trigger the need to begin planning an upgrade. Performance requirements indicate if a plant is operating effectively and require immediate action by the operator. If the problem persists, intervention by Alberta Environment and the local health authority may be required. Intervention may range from a public health advisory, preventing consumption of the water, to a requirement to upgrade a facility.

Greenhouse gases are those that trap solar radiant energy from escaping from the earth's atmosphere. This is a natural process that makes the Earth habitable. The most common greenhouse gas (and the one that forms the basis for this measure) is carbon dioxide (CO_2). The department's concern is that human activity, primarily the burning of fossil fuels for energy, is putting more greenhouse gases into the atmosphere than would normally be found. These additional gases may be having the effect of altering the Earth's climate. For this reason, the department is looking to curb the release of additional greenhouse gases into the atmosphere.

Greenhouse gases have different levels of potency for trapping radiant energy (global warming potential). To show a true measure of greenhouse gas emissions, methane (CH_4) and nitrous dioxide (N_20) are converted into an equivalent amount of CO_2. For the measure, using CO_{2e} (CO_2 equivalent) is more inclusive than CO_2 on its own. As well, CO_{2e} is used by other jurisdictions and so comparisons may be made.

The purpose of this measure is to track emissions intensity improvements by comparing total annual greenhouse gas emissions across the Alberta economy to total provincial gross domestic product (GDP) and comparing this value with a benchmark set in 1990. This indicator also assesses performance against emission intensity and absolute reduction benchmarks at 2010.

The manner in which performance is assessed is by comparing annual greenhouse emissions in Alberta to gross domestic product for Alberta. This ratio is then expected to provide information regarding greenhouse gas intensity. The data that are used in calculating this ratio are not generated or created by Alberta Environment, but rather both sets of data come from two different sources.

Greenhouse Gas Emission Information
These data are obtained from Environment Canada through their main site:
www.ec.gc.ca/pdb/ghg/ghg_home_e.cfm

or through their database:
www.ec.gc.ca/pdb/ghg/online_data_e.cfm

These data are assumed to be maintained in an environment that has appropriate control procedures in place.

Gross Domestic Product (Alberta) Information
These data are obtained from Statistics Canada:
www.statscan.ca/Daily/English/040428/d040428a.htm

These data are also assumed to be maintained in an environment that has appropriate control procedures in place.

Overall, Alberta Environment does not generate its own data with regards to these two inputs. Alberta Environment calculates the ratio based on data that have been acquired from the above two sources and does a simple verification of their accuracy by comparing the numbers to the source data.

Effective Infrastructure

The performance measure is an assessment of the water management infrastructure assets' physical state of being. Assets include headworks, dams and irrigation canals. Infrastructure is first assessed based on the five point rating system as shown below. In the 2005-08 Government of Alberta Business Plan – Goal 14, "Excellent," "Good" and "Fair" rating categories have been combined and reported as "Acceptable." Next the summation of the replacement value for infrastructure in each rating category is determined. The measure is reported as the percentage of physical infrastructure, based on replacement value, rated as being in "Acceptable" condition. The rating criteria used is as follows:

The assessments are done by a combination of internal staff and independent consultants on the basis of visual inspections and discussions with staff that are familiar with the operation of the infrastructure. Where initial inspections identify potential problems, a more detailed (level 2) analysis utilizing engineering techniques is employed to confirm the nature and extent of the problems. Due to the large number of water management structures, assessments are made on a rotational basis. A realistic goal would be to have a third of the infrastructure assessed per year.

Physical Condition Rating

Condition Rating	Textual Value	Meaning
2	Excellent	New or like new requiring minimal maintenance.
4	Good	Fully operational and requiring minimal maintenance.
6	Fair	Operational but requiring considerable ongoing maintenance.
8	Marginal	Operational but requiring excessive ongoing maintenance or failure may be possible during a major event.
10	Poor	Not operational or failure may be imminent or occurred.

Functional Rating

Functional Rating	Textual Value	Meaning	Equivalent CPI Rating
2	Acceptable	The asset satisfies one of the following criteria, depending on the type of asset. • Meets current *Dam and Canal Safety Guidelines*. • Meets current operational requirements.	Adequate
10	Unacceptable	One of the following criteria applies to the asset, depending on the type of asset. • Does not meet current *Dam and Canal Safety Guidelines*. • Does not meet current operational requirements.	Inadequate

Utilization Rating

Utilization Rating	Textual Value	Meaning	Equivalent CPI Rating
2	Significantly Under	Significantly under target capacity range.	Good
4	Within	Within target capacity range.	Good
6	Somewhat Over	Somewhat over target capacity range.	Fair
8	Significantly Over	Significantly over target capacity range.	Poor
10	Beyond	Beyond target capacity range and applied factors of safety.	Poor

Stakeholder Satisfaction with Ministry Programs

The annual survey is administered by telephone to the ministry's key stakeholders, including academic institutions, government organizations, business/industry, and non-government organizations. Conduct of the survey is contracted out to a survey organization with a national reputation. A letter notifying stakeholder contacts of the survey is sent before the contractor begins surveying. The survey questions included profile questions, satisfaction with services and programs, and stakeholder opinion on the ministry and the environment. The data is complied and analyzed by the contractor and descriptive statistics are prepared on all numerical survey questions. The contractor provides content analysis of qualitative data. A written report analyzing the results of each individual question asked in the survey are provided by the contractor. The results for the overall satisfaction question are extracted and used as data for reporting of the performance measure.

Municipal Solid Waste to Landfills

The Canadian Council of Ministers of the Environment developed the methodology used for the measure. The calculation is based on the kilograms of municipal solid waste sent to each landfill, and the population served by each applicable landfill. The calculation can also be further divided to illustrate urban and regional disposal amounts. The information is voluntarily provided by landfills, and all reporting landfills have weigh scales. Approximately 82 per cent of Alberta's population is served by reporting landfills. Estimates are used for the remaining population, and are derived by multiplying measured urban and measured regional per capita disposal rates with unmeasured urban (if applicable) and unmeasured regional populations. Using this information, the provincial per capita amount of municipal solid waste going into landfills is presented.

Water Use Efficiency and Productivity Indicator (Under Development)

This measure is still under development.

Energy Efficiency Conservation Indicator

The measure was not reported on as the Voluntary Challenge Registry which provided the data for this measure has been discontinued.

financial information

auditor's report on financial results

To the Members of the Legislative Assembly

I have audited the statement of financial position of the Ministry of Environment as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA

Auditor General

Edmonton, Alberta
May 20, 2005

statement of operations

Year ended March 31, 2005
(in thousands)

	2005		2004
	Budget (Schedule 4)	Actual	Actual
Revenues (Schedule 1)			
Internal Government Transfers	$ 5,005	$ 4,065	$ 2,362
Premiums, Fees and Licences	2,320	1,831	1,693
Investment Income	–	4	–
Other Revenue	844	2,281	1,564
	8,169	8,181	5,619
Expenses – Directly Incurred (Note 2b and Schedule 8)			
Voted (Schedules 3 and 5)			
Approvals	14,437	14,084	13,182
Compliance and Enforcement	8,883	8,543	8,349
Monitoring and Evaluation	14,768	12,743	15,952
Standards	5,364	6,122	5,248
Water Operations	13,413	12,413	11,581
Business Planning and Performance	2,890	2,136	2,172
Policy Development and Innovation	5,983	7,854	7,612
Water for Life	5,000	3,668	–
Climate Change	6,031	5,490	5,847
Educational Awareness	3,312	2,959	3,596
Integrated Resource Management	7,351	6,360	5,889
Intergovernmental Relationships and Partnerships	2,032	13,546	5,595
Ministry Support Services	11,842	14,071	11,811
Amortization of Tangible Capital Assets	18,461	18,174	17,190
	119,767	128,163	114,024
Statutory (Schedules 3 and 5)			
Land Reclamation Program	2,880	2,279	1,194
Emergency Spills and Cleanups	1,525	1,359	981
Drought and Flood Emergencies	600	427	187
Valuation Adjustments			
Provision for Vacation Pay	99	224	215
Provision for Other	–	–	5,700
	5,104	4,289	8,277
	124,871	132,452	122,301
Gain (Loss) on Disposal of Tangible Capital Assets	–	(12)	177
Net Operating Results	$ (116,702)	$ (124,283)	$ (116,505)

The accompanying notes and schedules are part of these financial statements.

statement of financial position

As at March 31, 2005
(in thousands)

	2005	2004
ASSETS		
Cash	$ 160	$ 490
Accounts Receivable (Note 3)	1,890	1,096
Advances	1	5
Tangible Capital Assets (Note 4)	879,289	855,894
	$ 881,340	$ 857,485
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 30,626	$ 20,340
Unearned Revenue	740	690
	31,366	21,030
NET ASSETS		
Net Assets at Beginning of Year	836,455	728,719
Net Operating Results	(124,283)	(116,505)
Net Transfer from General Revenues	137,802	224,241
Net Assets at End of Year	849,974	836,455
	$ 881,340	$ 857,485

The accompanying notes and schedules are part of these financial statements.

statement of cash flows

Year ended March 31, 2005
(in thousands)

	2005	2004
Operating Transactions		
Net Operating Results	$ (124,283)	$ (116,505)
Non-cash items included in Net Operating Results		
Amortization (Schedule 3)	18,174	17,190
Loss (Gain) on Disposal of Tangible Capital Assets	12	(177)
Valuation Adjustments	224	5,915
	(105,873)	(93,577)
Decrease (Increase) in Accounts Receivable	(794)	82
Increase in Accounts Payable and Accrued Liabilities	10,062	1,236
Increase (Decrease) in Unearned Revenue	50	(294)
Cash Applied to Operating Transactions	(96,555)	(92,553)
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,574)	(850)
Disposal of Tangible Capital Assets	–	177
Transfer of Tangible Capital Assets to Other Government Entities	–	30
Transfer of Tangible Capital Assets from Other Government Entities	(37,007)	(130,609)
Cash Applied to Capital Transactions	(41,581)	(131,252)
Investing Transactions		
Decrease (Increase) in Advances	4	(1)
Cash Provided (applied to) by Investing Transactions	4	(1)
Financing Transactions		
Net Transfer from General Revenues	137,802	224,241
Increase (Decrease) in Cash	(330)	435
Cash, Beginning of Year	490	55
Cash, End of Year	$ 160	$ 490

The accompanying notes and schedules are part of these financial statements.

notes to the financial statements

NOTE 1
AUTHORITY AND PURPOSE

The Ministry of Environment operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

The purpose of the Ministry is to steward and protect Alberta's environment to sustain diverse ecosystems, healthy Albertans, strong communities and a prosperous economy.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(a) Reporting Entity

The reporting entity is the Ministry of Environment for which the Minister of Environment is accountable. All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues are shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Ministry may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Ministry's dedicated revenue initiatives.

notes to the financial statements

Expenses

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by Others

Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 7.

Assets

Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other tangible capital assets is $5,000 (2004 – $15,000). All land is capitalized.

Liabilities

Liabilities represent all financial claims payable by the Ministry at fiscal year end.

Net Assets

Net assets represents the difference between the carrying value of assets held by the Ministry and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

notes to the financial statements

NOTE 3
ACCOUNTS RECEIVABLE

	2005			2004
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Transfers from Environmental Protection and Enhancement Fund	$ 1,435	$ –	$ 1,435	$ 733
Other Sources	460	5	455	363
	$ 1,895	$ 5	$ 1,890	$ 1,096

NOTE 4
TANGIBLE CAPITAL ASSETS

	Estimated Useful Life	2005 Cost	2005 Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
General Capital Assets:					
Equipment*	3-10 years	$ 7,384	$ 4,170	$ 3,214	$ 541
Computer Hardware and Software	5-10 years	18,236	13,030	5,206	5,103
Infrastructure Assets:					
Land Improvements	40 years	16	2	14	15
Bridges	60 years	469	47	422	430
Dam and Water Management Structures**	25-80 years	1,110,402	239,969	870,433	849,805
		$ 1,136,507	$ 257,218	$ 879,289	$ 855,894

* Equipment includes vehicles, office, laboratory, heavy equipment and mobile equipment.

** Dams and water management structures include dams, reservoirs, weirs, canals, dykes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures, which are constructed by the Ministry of Infrastructure and Transportation and transferred to the Ministry of Environment upon completion.

notes to the financial statements

NOTE 4
TANGIBLE CAPITAL ASSETS – (CONT'D)

Changes to tangible capital assets were as follows:

	2005	2004
Net Book Value at Beginning of Year	$ 855,894	$ 741,655
Purchase of Tangible Capital Assets	4,574	850
Net Book Value of Disposals and Write Downs	(12)	–
Transfer with Other Government Entities	37,007	130,579
Amortization of Tangible Capital Assets	(18,174)	(17,190)
Net Book Value at End of Year	$ 879,289	$ 855,894

NOTE 5
CONTRACTUAL OBLIGATIONS

As at March 31, 2005 the Ministry has the following contractual obligations:

	2005	2004
Service contracts (a)	$ 13,638	$ 9,289
Long-term leases (b)	3,968	1,833
Grants		
Waste Management Assistance Program	1,763	3,107
Various Other Programs	100	100
	$ 19,469	$ 14,329

(a) The Ministry has a contractual obligation with the Piikani Nation of $567 annually until 2009, $800 in 2010, and $800 adjusted annually by the CPI index every year thereafter.

(b) The aggregate amounts payable for the unexpired terms of these leases are as follows:

2006	$ 1,117
2007	966
2008	760
2009	477
2010	324
Thereafter	324
Total	$ 3,968

notes to the financial statements

NOTE 6
CONTINGENT LIABILITIES

At March 31, 2005, the Ministry is a defendant in thirty-eight legal claims (2004 – forty-one legal claims). Thirty-four of these claims have specified amounts totalling $153,783 and the remaining four have not specified any amount (2004 – thirty-seven claims with a specified amount of $158,860 and the remaining four with no specified amount). Included in the total legal claims are six claims in which the Ministry has been named as the sole defendant (2004 – eight legal claims). Four of these claims have a specified amount totalling $4,846 and the remaining two claims have no specified amount (2004 – six claims with a specified amount of $5,306 and the remaining two claims have no specified amount). In addition, there are nine claims in which the Ministry has been jointly named with other entities (2004 – eight legal claims). Seven of these claims have specified amounts totalling $90,120 and the remaining two claims have no specified amount (2004 – six claims with specified amounts totalling $90,136 and the remaining two claims with no specified amount). Two claims amounting to $14,221 are covered 50% by Alberta Risk Management Fund (2004 – none) and twenty-one claims amounting to $44,596 are covered by the Alberta Risk Management Fund (2004 – twenty-five claims with specified amounts totalling $63,418).

The resulting loss, if any, from these claims cannot be determined.

Certain contingent liabilities may exist for site remediation and reclamation which may be the responsibility of the Ministry. The potential costs relate to future site remediation works associated with various properties owned or acquired by the Province as a result of abandonment of contaminated properties. The preliminary estimate of the amount of such potential contingent liabilities is $8,511 (2004 – $7,494). Costs for site remediation and reclamation are recognized in the financial statements when work is undertaken.

notes to the financial statements

NOTE 7
TRUST FUND UNDER ADMINISTRATION

The Ministry administers a trust fund that is a regulated fund consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the fund and administers it for the purpose of the trust, it is not included in the Ministry's financial statements.

At March 31, 2005, the trust fund under administration is as follows:

	2005	2004
Environmental Protection Security Fund	$ 4,633	$ 4,720
	$ 4,633	$ 4,720

In addition to the above trust fund under administration, the Ministry holds bank guarantees in the form of letters of credit and promissory notes in the amount of $435,229 (2004 - $363,572). The majority of these guarantees are held to assure satisfactory reclamation of coal and oil sands operations, sand and gravel pits, landfills, hazardous waste management and hazardous recyclable facilities.

NOTE 8
DEFINED BENEFIT PLANS

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $3,897 for the year ended March 31, 2005 (2004 – $3,499).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of $268,101 (2003 - $290,014) and the Public Service Pension Plan reported a deficiency of $450,068 (2003 – $584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had a surplus of $9,404 (2003 – $9,312).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2005, the Bargaining Unit Plan reported an actuarial deficiency of $11,817 (2004 – $9,766) and the Management, Opted Out and Excluded Plan an actuarial surplus of $3,208 (2004 – $1,298). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 9
COMPARATIVE FIGURES

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

NOTE 10
APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

revenues

SCHEDULE 1

Year ended March 31, 2005
(in thousands)

	2005 Budget	2005 Actual	2004 Actual
Internal Government Transfers			
Revenue from the Environmental Protection and Enhancement Fund for Statutory Programs	$ 5,005	$ 4,065	$ 2,362
Premiums, Fees and Licences			
Land and Grazing	50	57	57
Water Power Rentals	650	798	787
Other	1,620	976	849
	2,320	1,831	1,693
Investment Income	–	4	–
Other Revenue			
Refunds of Expenditure	–	540	219
Water Resources	744	1,555	1,139
Other	100	186	206
	844	2,281	1,564
	$ 8,169	$ 8,181	$ 5,619

dedicated revenue initiatives

SCHEDULE 2

Year ended March 31, 2005
(in thousands)

	2005		
	Authorized Dedicated Revenues	Actual Dedicated Revenues	(Shortfall)/ Excess
Water Management Infrastructure	$ 750	$ 1,235	$ 485
Information Sharing and Partnerships	100	–	(100)
	$ 850	$ 1,235	$ 385

The Water Management Infrastructure dedicated revenue initiative refers to the maintenance and upgrading of the provincial water management infrastructure system. Revenues are received through the Use of Works Agreements whereby developers pay an annual fee to the Province.

The Information Sharing and Partnerships dedicated revenue initiative refers to the development of technology based information management solutions, where partnership with industry exists.

The dedicated revenue presented in this schedule is included in the Ministry's Statement of Operations.

Note:
Additional dedicated revenue of $280 for Water Management Infrastructure was approved on January 24, 2005. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act.*

expenses – directly incurred detailed by object

SCHEDULE 3

Year ended March 31, 2005
(in thousands)

	2005		2004
	Budget	Actual	Actual
Voted			
Salaries, Wages and Employee Benefits	$ 60,597	$ 58,495	$ 54,926
Supplies and Services	38,797	33,723	32,798
Grants	1,829	17,687	9,025
Financial Transactions and Other	83	84	85
Amortization of Tangible Capital Assets	18,461	18,174	17,190
	$ 119,767	$ 128,163	$ 114,024
Statutory			
Salaries, Wages and Employee Benefits	$ –	$ 35	$ 8
Supplies and Services	5,005	3,770	2,354
Grants	–	260	–
Valuation Adjustments			
Provision for Vacation Pay	99	224	215
Provision for Other	–	–	5,700
	$ 5,104	$ 4,289	$ 8,277

SCHEDULE 4

Year ended March 31, 2005
(in thousands)

	2004-2005 Estimates	Adjustment	2004-2005 Budget	Authorized Supplementary (a)	2004-2005 Authorized Budget
Revenues:					
Internal Government Transfers	$ 5,005	$ –	$ 5,005	$ –	$ 5,005
Premiums, Fees and Licences	2,320	–	2,320	–	2,320
Other Revenue	844	–	844	280	1,124
	8,169	–	8,169	280	8,449
Expenses – Directly Incurred:					
Voted Operating Expenses					
Approvals	14,437	–	14,437	325	14,762
Compliance and Enforcement	8,883	–	8,883	136	9,019
Monitoring and Evaluation	14,768	–	14,768	174	14,942
Standards	5,364	–	5,364	111	5,475
Water Operations	13,413	–	13,413	424	13,837
Business Planning and Performance	2,890	–	2,890	34	2,924
Policy Development and Innovation	5,983	–	5,983	65	6,048
Water for Life	5,000	–	5,000	11	5,011
Climate Change	6,031	–	6,031	32	6,063
Educational Awareness	3,312	–	3,312	24	3,336
Integrated Resource Management	7,351	–	7,351	119	7,470
Intergovernmental Relationships and Partnerships	2,032	–	2,032	6,026	8,058
Ministry Support Services	11,842	–	11,842	1,691	13,533
Amortization of Tangible Capital Assets	18,461	–	18,461	–	18,461
	119,767	–	119,767	9,172	128,939
Statutory Expenses					
Land Reclamation Program	2,880	–	2,880	–	2,880
Emergency Spills and Cleanups	1,525	–	1,525	–	1,525
Drought and Flood Emergencies	600	–	600	–	600
Valuation Adjustments					
Provision for Vacation Pay	99	–	99	–	99
	5,104	–	5,104	–	5,104
	124,871	–	124,871	9,172	134,043
Net Operating Results	$ (116,702)	$ –	$ (116,702)	$ (8,892)	$ (125,594)
Equipment/Inventory Purchases	$ 3,585	$ –	$ 3,585	$ 500	$ 4,085

(a) Supplementary Estimates were approved on March 24, 2005 and in addition $1,392 was transferred from the Department of Human Resources and Employment for Salary Contingency pursuant to section 4 of the *Appropriation (Supplementary Supply) Act, 2005*. Treasury Board approval is pursuant to section 29(1.1) of the *Financial Administration Act*.

comparison of expenses – directly incurred, equipment/inventory purchases and statutory expenses by element to authorized budget

SCHEDULE 5

Year ended March 31, 2005
(in thousands)

	2004-2005 Estimates	Adjustments	2004-2005 Budget	Authorized Supplementary (a)	2004-2005 Authorized Budget	2004-2005 Actual (b)	Unexpended (Over Expended)
Voted Operating Expenses and Equipment/Inventory Purchases							
Ministry Support Services							
1.0.1 Minister's Office	$ 363	$ –	$ 363	$ 6	$ 369	$ 369	$ –
1.0.2 Deputy Minister's Office	378	–	378	7	385	231	154
1.0.3 Communications	753	–	753	4	757	750	7
1.0.4 Human Resources	548	–	548	12	560	615	(55)
1.0.5 Corporate Services	4,265	–	4,265	1,587	5,852	6,064	(212)
1.0.6 Corporate Costs							
- Operating Expense	5,535	–	5,535	75	5,610	6,042	(432)
- Equipment/Inventory Purchases	–	–	–	500	500	515	(15)
Total Program 1	11,842	–	11,842	2,191	14,033	14,586	(553)
2.0.1 Approvals							
- Operating Expense	14,437	–	14,437	325	14,762	14,084	678
- Equipment/Inventory Purchases	–	–	–	–	–	19	(19)
2.0.2 Compliance and Enforcement							
- Operating Expense	8,883	–	8,883	136	9,019	8,543	476
- Equipment/Inventory Purchases	–	–	–	–	–	10	(10)
2.0.3 Monitoring and Evaluation							
- Operating Expense	14,768	–	14,768	174	14,942	12,743	2,199
- Equipment/Inventory Purchases	255	–	255	–	255	140	115
2.0.4 Standards							
- Operating Expense	5,364	–	5,364	111	5,475	6,122	(647)
- Equipment/Inventory Purchases	–	–	–	–	–	10	(10)
2.0.5 Water Operations							
- Operating Expense	13,413	–	13,413	424	13,837	12,413	1,424
- Equipment/Inventory Purchases	30	–	30	–	30	75	(45)
2.0.6 Business Planning and Performance	2,890	–	2,890	34	2,924	2,136	788
2.0.7 Policy Development and Innovation							
- Operating Expense	5,983	–	5,983	65	6,048	7,854	(1,806)
- Equipment/Inventory Purchases	100	–	100	–	100	55	45
2.0.8 Amortization of Tangible Capital Assets	18,461	–	18,461	–	18,461	18,174	287
Total Program 2	84,584	–	84,584	1,269	85,853	82,378	3,475

comparison of expenses – directly incurred, equipment/inventory purchases and statutory expenses by element to authorized budget

SCHEDULE 5 – (CONT'D)

Year ended March 31, 2005
(in thousands)

	2004-2005 Estimates	Adjustments	2004-2005 Budget	Authorized Supplementary (a)	2004-2005 Authorized Budget	2004-2005 Actual (b)	Unexpended (Over Expended)
Voted Operating Expenses and Equipment/Inventory Purchases – (cont'd)							
Ministry Support Services							
3.0.1 Water for Life							
- Operating Expense	5,000	–	5,000	11	5,011	3,668	1,343
- Equipment/Inventory Purchase	3,200	–	3,200	–	3,200	3,741	(541)
3.0.2 Climate Change	6,031	–	6,031	32	6,063	5,490	573
3.0.3 Educational Awareness							
- Operating Expense	3,312	–	3,312	24	3,336	2,959	377
- Equipment/Inventory Purchase	–	–	–	–	–	9	(9)
3.0.4 Integrated Resource Management	7,351	–	7,351	119	7,470	6,360	1,110
3.0.5 Intergovernmental Relationships and Partnerships	2,032	–	2,032	5,026	8,058	13,546	(5,488)
Total Program 3	26,926	–	26,926	6,212	33,138	35,773	(2,635)
	$ 123,352	$ –	$ 123,352	$ 9,672	$ 133,024	$ 132,737	$ 287
Operating Expense	$ 119,767	$ –	$ 119,767	$ 9,172	$ 128,939	$ 128,163	$ 776
Equipment/Inventory Purchases	3,585	–	3,585	500	4,085	4,574	(489)
	$ 123,352	$ –	$ 123,352	$ 9,672	$ 133,024	$ 132,737	$ 287
Statutory Expenses							
Land Reclamation Program	$ 2,880	$ –	$ 2,880	$ –	$ 2,880	$ 2,279	$ 601
Emergency Spills and Cleanups	1,525	–	1,525	–	1,525	1,359	166
Drought and Flood Emergencies	600	–	600	–	600	427	173
Valuation Adjustments	99	–	99	–	99	224	(125)
	$ 5,104	$ –	$ 5,104	$ –	$ 5,104	$ 4,289	$ 815

(a) Supplementary Estimates were approved on March 24, 2005 and in addition $1,392 was transferred from the Department of Human Resources and Employment for Salary Contingency pursuant to section 4 of the *Appropriation (Supplementary Supply) Act, 2005*. Treasury Board approval is pursuant to section 29(1.1) of the *Financial Administration Act*.

(b) Includes achievement bonus amounting to $1,207.

salary and benefits disclosure

SCHEDULE 6

Year ended March 31, 2005
(in thousands)

	2005				2004
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Deputy Minister[4][5]	$ 127,214	$ 19,138	$ 24,846	$ 171,198	$ 237,494
Assistant Deputy Ministers					
Environmental Assurance Division[6]	119,086	–	22,587	141,673	171,671
Regional Services Division[7]	121,118	19,436	24,886	165,440	184,634
Strategic Directions Division	129,684	30,560	26,748	186,992	171,005
Executive Director, Corporate Services Division	123,960	17,922	35,679	177,561	138,390
Director, Human Resource Services	92,244	13,560	23,343	129,147	124,298

(1) Base salary includes regular base pay.
(2) Other cash benefits include bonuses, vacation payouts, overtime and lump sum payments.
(3) Other non-cash benefits include government's share of all employee benefits and contribution or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, WCB premiums, professional memberships, and tuition fees.
(4) The Deputy Minister's position became vacant in December of 2004, the position was filled in February of 2005.
(5) Automobile provided, no dollar amount included in benefits and allowances.
(6) The Assistant Deputy Minister of Environmental Assurance Division became vacant in February of 2005.
(7) The Assistant Deputy Minister of Regional Services Division became vacant in February of 2005.

related party transactions

SCHEDULE 7

Year ended March 31, 2005
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2005	2004
Revenue		
Internal Government Transfers	$ 4,065	$ 2,362
	$ 4,065	$ 2,362
Expenses – Directly Incurred		
Other Services	$ 6,609	$ 5,998
	$ 6,609	$ 5,998
Tangible Capital Assets Transferred	$ 37,007	$ 130,579
Receivable from	$ 1,435	$ 733

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	Other Entities	
	2005	2004
Expenses – Incurred by Others		
Accommodation	$ 5,510	$ 4,591
Legal	1,689	1,780
Water Management Infrastructure Maintenance	2,900	4,939
Air Transportation/Executive Vehicles	24	–
	$ 10,123	$ 11,310

allocated costs

SCHEDULE 8

Year ended March 31, 2005
(in thousands)

	2005						2004
		Expenses – Incurred by Others			Valuation Adjustments		
Program	Expenses[1]	Accommodation Costs[2]	Legal Services[3]	Water Management Infrastructure Maintenance	Vacation Pay[4]	Expenses	Expenses
Approvals	$ 14,084	$ 1,201	$ 296	$ –	$ 49	$ 15,630	$ 14,556
Compliance and Enforcement	8,543	770	193	–	60	9,566	9,228
Monitoring and Evaluation	12,743	805	213	–	43	13,804	16,887
Standards	6,122	325	56	–	15	6,518	5,667
Water Operations	12,413	611	274	2,900	(4)	16,194	17,326
Business Planning and Performance	2,136	99	42	–	38	2,315	2,325
Policy Development and Innovation	7,854	343	105	–	(41)	8,261	8,053
Reclamation and Emergency Preparedness	4,065	–	–	–	–	4,065	8,062
Water for Life	3,668	42	73	–	27	3,810	–
Climate Change	5,490	113	87	–	(74)	5,616	6,029
Educational Awareness	2,959	120	35	–	15	3,129	3,742
Integrated Resource Management	6,360	473	152	–	74	7,059	6,487
Intergovernmental Relationships and Partnerships	13,546	92	39	–	(2)	13,675	5,687
Ministry Support Services	14,071	516	124	–	24	14,735	12,372
Amortization of Tangible Capital Assets	18,174	–	–	–	–	18,174	17,190
	$ 132,228	$ 5,510	$ 1,689	$ 2,900	$ 224	$ 142,551	$ 133,611

(1) Expenses - Directly Incurred as per Statement of Operations, excluding valuation adjustments.
(2) Costs shown for Accommodation on Schedule 7, allocated by budgeted Full-Time Equivalent Employment.
(3) Costs shown for Legal Services on Schedule 7, allocated by estimated costs by each program.
(4) Valuation Adjustments as per Statement of Operations. Vacation Pay is allocated by employee.

alphabetical list of government entities' financial statements

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Ministry, Department, Fund or Agency – Ministry Annual Report

Agriculture Financial Services Corporation[1] – Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission – Health and Wellness
Alberta Capital Finance Authority – Finance
Alberta Energy and Utilities Board – Energy
Alberta Foundation for the Arts – Community Development
Alberta Gaming and Liquor Commission – Gaming
Alberta Government Telephones Commission – Finance
Alberta Heritage Foundation for Medical Research Endowment Fund – Finance
Alberta Heritage Savings Trust Fund – Finance
Alberta Heritage Scholarship Fund – Finance
Alberta Heritage Science and Engineering Research Endowment Fund – Finance
Alberta Historical Resources Foundation – Community Development
Alberta Insurance Council – Finance
Alberta Pensions Administration Corporation – Finance
Alberta Petroleum Marketing Commission – Energy
Alberta Research Council Inc. – Innovation and Science
Alberta Risk Management Fund – Finance
Alberta School Foundation Fund – Education
Alberta Science and Research Authority – Innovation and Science
Alberta Securities Commission – Finance
Alberta Social Housing Corporation – Seniors and Community Supports
Alberta Sport, Recreation, Parks and Wildlife Foundation – Community Development
Alberta Treasury Branches – Finance
ATB Investment Services Inc. – Finance
Child and Family Services Authorities – Children's Services
  Calgary and Area Child and Family Services Authority
  Central Alberta Child and Family Services Authority
  East Central Alberta Child and Family Services Authority
  Edmonton and Area Child and Family Services Authority
  North Central Alberta Child and Family Services Authority
  Northeast Alberta Child and Family Services Authority
  Northwest Alberta Child and Family Services Authority
  Southeast Alberta Child and Family Services Authority
  Southwest Alberta Child and Family Services Authority
  Metis Settlements Child and Family Services Authority
Credit Union Deposit Guarantee Corporation – Finance
Crop Reinsurance Fund of Alberta[1] – Agriculture, Food and Rural Development

alphabetical list of government entities' financial statements

Department of Advanced Education – Advanced Education
Department of Agriculture, Food and Rural Development – Agriculture, Food and Rural Development
Department of Children's Services – Children's Services
Department of Community Development – Community Development
Department of Education – Education
Department of Energy – Energy
Department of Finance – Finance
Department of Gaming – Gaming
Department of Health and Wellness – Health and Wellness
Department of Innovation and Science – Innovation and Science
Department of Seniors and Community Supports – Seniors and Community Supports
Department of Solicitor General – Solicitor General
Department of Sustainable Resource Development – Sustainable Resource Development
Environmental Protection and Enhancement Fund – Sustainable Resource Development
Gainers Inc. – Finance
Government House Foundation – Community Development
Historic Resources Fund – Community Development
Human Rights, Citizenship and Multiculturalism Education Fund – Community Development
iCORE Inc. – Innovation and Science
Lottery Fund – Gaming
Ministry of Advanced Education[2] – Advanced Education
Ministry of Aboriginal Affairs and Northern Development[2] – Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development – Agriculture, Food and Rural Development
Ministry of Children's Services – Children's Services
Ministry of Community Development – Community Development
Ministry of Economic Development[2] – Economic Development
Ministry of Education – Education
Ministry of Energy – Energy
Ministry of Environment[2] – Environment

alphabetical list of government entities' financial statements

Ministry of Finance – Finance
Ministry of Executive Council[2] – Executive Council
Ministry of Gaming – Gaming
Ministry of Government Services[2] – Government Services
Ministry of Health and Wellness – Health and Wellness
Ministry of Human Resources and Employment[2] – Human Resources and Employment
Ministry of Infrastructure and Transportation[2] – Infrastructure and Transportation
Ministry of Innovation and Science – Innovation and Science
Ministry of International and Intergovernmental Relations[2] – International and Intergovernmental Relations
Ministry of Justice[2] – Justice
Ministry of Municipal Affairs[2] – Municipal Affairs
Ministry of Restructuring and Government Efficiency[2] – Restructuring and Government Efficiency
Ministry of Seniors and Community Supports – Seniors and Community Supports
Ministry of Solicitor General – Solicitor General
Ministry of Sustainable Resource Development – Sustainable Resource Development
N.A. Properties (1994) Ltd. – Finance
Natural Resources Conservation Board – Sustainable Resource Development
Persons with Developmental Disabilities Community Boards – Seniors and Community Supports
  Calgary Region Community Board
  Central Region Community Board
  Edmonton Region Community Board
  Northeast Region Community Board
  Northwest Region Community Board
  South Region Community Board
Persons with Developmental Disabilities Provincial Board – Seniors and Community Supports
Provincial Judges and Masters in Chambers Reserve Fund – Finance
Supplementary Retirement Plan Reserve Fund – Finance
Victims of Crime Fund – Solicitor General
Wild Rose Foundation – Community Development

1 The Crop Reinsurance Fund of Alberta was merged into the Agriculture Financial Services Corporation, effective April 1, 2003.
2 Ministry includes only the departments so separate department financial statements are not necessary.

alphabetical list of government entities' financial statements

ENTITIES NOT INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Fund or Agency – Ministry Annual Report

Alberta Cancer Board – Health and Wellness
Alberta Foundation for Health Research – Innovation and Science
Alberta Heritage Foundation for Medical Research – Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research – Innovation and Science
Alberta Mental Health Board – Health and Wellness
Alberta Teachers' Retirement Fund Board – Education
Improvement Districts' Trust Account – Municipal Affairs
Local Authorities Pension Plan – Finance
Long-Term Disability Income Continuance Plan - Bargaining Unit – Human Resources and Employment
Long-Term Disability Income Continuance Plan - Management, Opted Out and Excluded – Human Resources and Employment
Management Employees Pension Plan – Finance
Provincial Judges and Masters in Chambers Pension Plan – Finance
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan – Finance
Public Post Secondary Institutions – Advanced Education
Public Service Management (Closed Membership) Pension Plan – Finance
Public Service Pension Plan – Finance
Regional Health Authorities – Health and Wellness
School Boards – Education
Special Areas Trust Account – Municipal Affairs
Special Forces Pension Plan – Finance
Supplementary Retirement Plan for Public Service Managers – Finance
Workers' Compensation Board – Human Resources and Employment

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